104

WHITE HOUSE TRAVEL OFFICE—DAY TWO

Y 4.G 74/7:T 69/12

White House Travel Office-Day Two,...

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

JANUARY 17, 1996

Printed for the use of the Committee on Government Reform and Oversight

DEPOSITORY

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WHITE HOUSE TRAVEL OFFICE—DAY TWO

WEDNESDAY, JANUARY 17, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The committee met, pursuant to notice, at 11:08 a.m., in room 2154, Rayburn House Office Building, Hon. William F. Clinger, Jr. (chairman of the committee) presiding.

Members present: Representatives Clinger, Morella, Shays, Schiff, Mica, Blute, Davis, Fox, Martini, Bass, LaTourette, Waxman, Wise, Kanjorski, Peterson, Maloney, and Norton.

Staff present: James Clarke, staff director; Judy Blanchard, deputy staff director; Kevin Sabo, general counsel; Barbara Bracher, chief investigator; Barbara Comstock, special counsel; Joe Loughran, professional staff/investigator; Judith McCoy, chief clerk; Cheri Tillett, assistant chief clerk/calendar clerk; Cissy Mittleman, David Jones, professional staff; David Schooler, minority chief counsel; Ronald Stroman, minority deputy staff director; Donald Goldberg, minority assistant to counsel; Cedric Hendricks, Miles Q. Romney, minority professional staff; Ellen Rayner, minority chief clerk; and Cecelia Morton, minority office manager.

Mr. CLINGER. The Committee on Government Reform and Oversight will come to order.

This morning under the authority of House rule 11(k)(1), I will begin this hearing with an opening statement and recognize Mr. Waxman or a member of the minority for an opening statement, and then we will proceed to questions under the 5-minute rule.

Members of the committee who would like to give an opening statement may insert them in the record at this time or make their statements during the first round of questioning under the 5-minute rule.

In July, 1993, Vince Foster said to his brother-in-law, "You would be shocked our own people would lie to us." Mr. Foster was talking about the Travel Office matter, and this conversation occurred within weeks of his death. Perhaps Mr. Foster knew the truth was not being told in this matter. Now we have learned that others felt the same way.

What we have learned thus far substantiates the belief of many that the circumstances surrounding the firing of the Travel Office employees was a principal cause of the deep depression Mr. Foster was suffering at that time.

The White House long has claimed and still claims that the firings of the Travel Office employees were due to mismanagement. But the firings were discussed in December 1992, a full month be-

fore the new administration took office. The firings were decided upon long before any wrongdoing or mismanagement was alleged.

And it now appears, from review of never before released documents and documents only recently provided to the investigators for the committee, that even those asked to execute the firings had some misgivings about the procedures being employed.

Long before Harry Thomason really began to talk about his baseless rumors of wrongdoing in the Travel Office, he was seeking government business, including Travel Office business, along with his partner in his firm called TRM.

In January 1993, Mr. Thomason received a memo from his partner, Darnell Martens, outlining how they would take advantage of "Washington opportunities." This was a new document only recently provided by Mr. Thomason under threat of subpoena. The White House had told us this document did not exist.

Thomason used his access to the White House to speak with the President in February, and the President forwarded his business proposal to then Chief of Staff Mack McLarty, Mr. Mark Gearan, and Mr. David Watkins, after writing on the memo "these guys are sharp."

When Thomason's partner, Darnell Martens, attempted to seek Travel Office business from the former Travel Office director, Billy Ray Dale, Martens was rebuffed. There perhaps Mr. Dale's fate was sealed. He made the mistake of not giving business to the President's friend, even though to do so would have disrupted a long-standing arrangement preferred by the customers of the Travel Office, the customers being the members of the White House press corps.

But in order to get rid of the Travel Office employees, which the Hollywood producer told White House officials he felt would be a "good story," the new administration needed a better plot line than simple patronage and contract steering to friends who extended many favors during the campaign. "These guys are crooks," Harry Thomason roared through the White House, "they have been ripping us off for years." With these words, the lives of seven men changed forever. Mr. Thomason's Kafkaesque drama had begun.

Harry Thomason met with the First Lady when he came to the White House in May. He talked to the First Lady on a number of occasions about the Travel Office, according to Mr. Watkins' memo. He briefed the First Lady on the matter, according to Mr. Watkins as well as others.

Thomason told the First Lady about kickbacks and of the evidence that he had gathered, all of which turned out, frankly, to be nonexistent when the company that Thomason said that Mr. Dale had solicited kickbacks from denied any such thing to numerous investigators.

The White House Management Review team was provided this information, but this fact was conveniently edited out of the draft White House Management Review.

According to memos and notes provided by our witness today, when Mr. Thomason shared his story line with the First Lady, the First Lady pushed for really prime time attention and told Mr. Watkins to get our people in there and use Harry's plan to do it.

According to Mr. Watkins' new notes just provided to this committee, Mr. Thomason told him on May 12, 2 days before Peat Marwick, which conducted the review of the Travel Office, was anywhere near the White House. And he told him on May 12 that he "bumped into Hillary and she's ready to fire them all that day."

Thomason worked with Catherine Cornelius and David Watkins on setting up a new Travel Office. By the time this agenda item was assigned to Mr. Watkins, the outcome had already clearly been decided. Mr. Watkins was only the executioner, complying with the directives from above.

In fact, when the FBI was called in to investigate—again, a full day before any Peat Marwick people even crossed the threshold of the White House—its agents were told by Bill Kennedy that those at "the highest levels" of the White House, were pushing this investigation.

The morning that Kennedy relayed this message to the FBI, Harry Thomason had met with the President. Harry Thomason had been in touch with Mack McLarty and the First Lady prior to his meeting with the President. Susan Thomases even came to the White House to meet with Harry Thomason.

Kennedy told FBI officials that a friend of the President's was trying to get business and wasn't able to. Mr. Kennedy pulled out a memo that detailed alleged wrongdoing by Travel Office employees, kickbacks, lavish life-styles, and the like. This memo was shown to FBI officials, but they were told that they could not keep it. The White House tells us this document doesn't exist. No one knows anything about it. Another mystery document that perhaps will turn up at some point in the future.

And what about Billy Dale's missing records? The White House and the Justice Department say those don't exist either. But even without these potentially exculpatory documents and the trial judge's refusal to allow any discussion of the political aspects of this firing, a jury acquitted Mr. Dale in less than 2 hours. That was because during the trial the jury learned that the FBI took nearly a month before it made any effort to secure any records at the Travel Office. This allowed Patsy Thomasson in the meantime to change the locks, ransack the office, and go through the entire computer system.

Furthermore, the head of the White House Records Office testified to the lack of any security in the Travel Office at the time of the firings. Mr. Watkins, our witness today, told GAO he didn't know what happened to the petty cash logs but that Patsy Thomasson would have been in charge of them.

Two weeks ago, the White House produced a startling document which allegedly was found in Patsy Thomasson's documents. It was over 2½ years after this committee first requested relevant documents related to the Travel Office and years after numerous civil and criminal investigators had requested the same.

The so-called Watkins memo, combined with the cumulative weight of documents that we have been gathering in this investigation, lead more and more to the disturbing reality that the men and women in this White House have played fast and loose with the truth and with the lives of innocent people.

Today we will see new documents, also withheld for more than 2½ years from investigators. They were only provided when we personally subpoenaed documents from Mr. Watkins.

We have sent additional subpoenas to Mr. Harry Thomason, Mr. Mack McLarty, Mr. Bruce Lindsey, Patsy Thomasson, and others at the White House. We do intend to subpoena other former White House officials as well as Justice Department documents. This is because the volume of withheld documents has been astounding in this matter.

Mr. Shaheen, of the Office of Professional Responsibility at the Justice Department, testified before our committee that he was "stunned that the Vince Foster Travel Office file was withheld from his investigation and other investigators for almost 2 years."

Documents relating to Harry Thomason's attempts to get GSA contracts were withheld from GAO when they investigated the Travel Office and related matters. Now we have the Watkins memo, the memo from Mr. Watkins, and just 2 days ago Mr. Watkins provided us with notes never before provided to any investigators as far as we know.

Mr. Watkins' documents, as well as other recently provided documents, demonstrate that both the President and the First Lady were aware of Harry Thomason's allegations and that he sought government business for TRM.

Documentary evidence also suggests more involvement with the President and the First Lady in key events leading to the firings. Even with many documents still outstanding, a vague and fuzzy picture is becoming ever clearer.

Let me say at the outset, this investigation is not about politics. I know that has been the charge, that this is a totally political witch-hunt during an election year. It is instead about people.

Despite what some at the White House may say, this investigation is precisely about finding the truth, after six investigations, none of which were thorough, and none of which had access to many of the documents that have come about as a result of our investigation.

Frankly, I had seriously hoped this investigation could have, should have, been completed months, even years ago. But when documents are withheld for years after investigations have begun, it is difficult to reach closure.

We still haven't been able to get an explanation as to why this Watkins memo as well as other documents were not found for over 2 years. The White House tells us it needs another week or so to figure out where this memo has been all this time. Why are such simple questions so complicated for this White House to answer?

The White House fired the Travel Office based in part on "sloppy recordkeeping." If it applied that standard to its own employees, who have been gathering records for various investigations, frankly, they would also, I think, have to be relieved of their duties. From the very beginning of this whole sorry situation, back in May 1993, the Clinton administration has engaged in foot dragging, half truths and dissembling.

But the documents we have finally received to date suggest that Travelgate is first about a friend of the President's who sought out a wide array of government business, including business in the

Travel Office. When those who already were in charge of the Travel Office rebuffed the interests of the President's friends, allegations and accusations of wrongdoing began to fly, and a scenario was developed to justify the wholesale replacement of the Travel Office staff by victimizing—victimizing—Billy Dale and the other Travel Office employees.

I have pursued this matter for over 2 years because I was concerned with the outrageous conduct, in my view, conduct by the White House in sacking the career Travel Office staff to make room for Hollywood cronies while siccing the FBI on these people in order to divert attention from this sloppy patronage grab. Seven people had their lives turned upside down and are still being assailed by the White House attack machine.

Given that upon Billy Dale's acquittal the President wished Mr. Dale well and said he was sorry for everything he had been through, I have written a letter to the President calling upon him to direct the cessation of White House attacks on Mr. Dale and his associates. Billy Dale's time as the White House's designated scapegoat should now cease.

Today, we will hear from the former Director of Management and Administration at the White House, Mr. David Watkins, the person who did fire the Travel Office employees. It is Mr. Watkins whose memo just surfaced several weeks ago. We still frankly do not know how this memo was found, and the White House has told us it will take another week or so before it can provide any explanation—all in all, another chapter in this very strange saga.

At every step along the way, this committee, frankly, has been thwarted in its investigation by a White House that denied the facts, denied that now-revealed documents even existed, and denied there were serious questions of misconduct involving numerous high-ranking White House officials. The Clinton White House in my view has really brought this debacle on itself. Enough is enough.

[The prepared statement of Hon. William F. Clinger, Jr. follows:]

PREPARED STATEMENT OF HON. WILLIAM F. CLINGER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

A "VAGUE AND PROTECTIVE" WHITE HOUSE

In July 1993, Vince Foster said to his brother-in-law, "You would be shocked our own people would lie to us." Mr. Foster was talking about the Travel Office matter and this conversation occurred within weeks of his death. Perhaps Mr. Foster knew the truth was not being told in this matter. Now we have learned that others felt the same way. What we have learned thus far substantiates the belief of many that the circumstances surrounding the firing of the Travel Office employees was a principal cause of the deep depression Mr. Foster was suffering at that time.

The White House long has claimed and still claims that the firings of the Travel Office employees were due to mismanagement. But the firings were discussed in December 1992 a full month before the new Administration took office. The firings were decided upon long before any wrongdoing or mismanagement was alleged. And it now appears—from review of never before released documents and documents only recently provided to the investigators—that even those asked to execute the firings had misgivings.

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that the men and women in this White House have played fast and loose with the truth and with the lives of innocent people. Today we will see new documents also withheld for more than two and a half years from investigators. They were only provided when we personally subpoenaed documents from Mr. Watkins. We have sent additional subpoenas to Harry Thomason, Mack McLarty, Bruce Lindsey, Patsy Thomasson, and others at the White House.

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From the very beginning of this whole debacle back in May 1993, the Clinton Administration has engaged in foot dragging, half truths and d dissembling. What the documents we have finally received to date suggest is that TRAVELGATE is first, about a friend of the President's who sought out a wide array of government business, including business in the Travel Office. When those who already were in charge of the Travel Office rebuffed the interests of the President's friends, allegations and accusations of wrongdoing began to fly and a scenario developed to justify the wholesale replacement of the Travel Office staff by victimizing Billy Dale and the other Travel Office employees.

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Today, we will hear from the former Director of Management and Administration, David Watkins—the person who fired the Travel Office employees. It is Mr. Watkins whose memo just surfaced several weeks ago. We still do not know how this memo was found and the White House has told us it will take another week or so before it can provide any explanation. All in all, another chapter in this strange saga.

At every step along the way, this Committee has been thwarted in its investigation by a White House that denied the facts, denied that now revealed documents even existed and denied there were serious questions of misconduct involving numerous high ranking White House officials. The Clinton White House has brought this debacle on itself.

Enough is enough.

Mr. CLINGER. The Chair now recognizes Mr. Waxman for an opening statement.

Mr. WAXMAN. Thank you very much, Mr. Chairman. This hearing follows seven exhaustive reviews into the White House Travel Office. The 1993 firings have already been investigated by the White House Management Review, the FBI, the IRS, the House Judiciary Committee, the Department of Justice's Office of Professional Responsibility, the Department of Justice's Public Integrity Section, and the General Accounting Office.

These reviews share an important common denominator. After all the time and effort and innuendo, they haven't produced a single shred of evidence indicating illegality or impropriety. I strongly disagree with many of the characterizations that this committee has made about the Clinton administration's actions in this matter. But even if we stipulated all of them were true, that they were accurate, even though they're not, there's still absolutely no evidence of wrongdoing.

I have said before and want to repeat today that I have the greatest respect for this committee's chairman. Mr. Chairman, you're the type of Member we need in this House, and your decision to retire is a great loss. It's precisely because I hold you in such high regard that I find this hearing and the intensity you bring to this investigation so surprising. We have no evidence of illegality or wrongdoing. And there is no question that the Clinton administration had every right to terminate White House employees. Even if there had been no fault on their part or no wrongdoing on their part or no mismanagement on their part, the Clinton administration had the ability and right to fire them.

Whether that's good judgment or management practice is another matter, but if that's the issue, then this committee and the House should also be part of this inquiry.

When the Republicans gained control of the House of Representatives, for the first time in 40 years, more than 10 nonpartisan clerks were fired by this committee and its Chairman and replaced by new staff. That happened throughout the House and continues to this day.

Here's an article from a newspaper that says, "The House Clerk to Hill staffers, Merry Christmas, you're fired." People were fired because the Republicans took control and they didn't want to have the old people in; they wanted to put their new people in.

Mr. Chairman, you and the Republican majority have every right to bring your own people in, even though I might question whether that was good management practice or fair to the employees involved. In the House of Representatives, we're not talking about seven employees as we are in the Travel Office, all of whom got jobs. We're talking about hundreds of people in the House of Representatives, many of whom have never gotten jobs. They were fired summarily, and there are no investigative hearings on their firings, perhaps because the Republicans control the House and don't want to investigate themselves.

I want to be blunt about what we're doing here today. We're wallowing in the Travel Office firings, not because there's wrongdoing, but because the First Lady may be involved, and that somehow is titillating. When one scratches beneath the formal veneer of this hearing, what really seems to excite people is knowing more about the Secret Service reference in Mr. Watkins' memo.

Mr. Chairman, I direct this to the press as much as I do to you. Why do you all care? What does that innuendo have to do with serious public policy questions? What does it have to do with this committee's jurisdiction? Absolutely nothing.

I'll tell you what it is. It's gossip. It's cheap thrills. Is that what we've sunk to here? If so, forget Geraldo and Sally Jessy Raphael. We can eliminate the talk shows and let this committee have jurisdiction over salacious, intellectually empty issues that have nothing do with the real problems facing our Nation.

Let me remind everybody again, we passed important, radical changes in Medicare and Medicaid, and our committee, which has jurisdiction, did not hold a single day's hearing. This week alone we have seen every day with a hearing on the Whitewater issue and now on the travel issue, and they conveniently didn't hold a hearing on Whitewater so we could be the main issue on tonight's news. And we've held exhaustive hearings on Ruby Ridge and Waco, but not a single day's hearing on Medicare or Medicaid.

The entire hearing can be summarized in few words: So what? If the worst that this committee charges were somehow true, so what? My view would be dramatically different if the committee could show any wrongdoing. But it can't, just as the seven previous inquiries produced nothing because there were no illegal actions.

It seems that this committee is lighting a match and lighting another match, hoping a fire will start. But there is no fire, and there's no issue of public importance here.

Mr. Chairman, I'm truly sorry that you've decided to retire. We're going to miss you. The Congress needs more Bill Clingers. But this hearing, this assault on Mrs. Clinton's character, is not worthy of you, and it's not worthy of this committee. And it's not worth the time that all of us are taking in today's hearing to pursue it as we did in previous hearings and as we've done in previous investigations.

Thank you for this opportunity.

Mr. CLINGER. I thank the gentleman from California for his opening statement.

As I indicated, others that may have opening statements they wish to submit can submit them for the record, or can use their initial 5 minutes on the first round to make their opening statement.

[The prepared statement of Hon. Paul E. Kanjorski follows:]

PREPARED STATEMENT OF HON. PAUL E. KANJORSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

We are here today because a draft memorandum was discovered by the White House and properly turned over to this Committee. This memo suggests that Hillary Clinton had a greater role in the firing of the Travel Office employees than previously believed. So what?

If the Committee is exercising its oversight function to call this hearing when most members are out of town to discover that the First Lady has some influence in the White House, then they do not remember events in recent American history such as Nancy Reagan's role in the firing of the President's Chief of Staff, Donald Regan.

There is nothing wrong with the First Lady getting involved in this matter or any matter which suggests there has been mismanagement or wrongdoing in the White House. She would not be serving her husband's best interests, or the public's, if she did not. From any objective perspective there were troubling allegations of wrongdoing at the Travel Office. Mr. Watkins called in Peat Marwick, an independent auditor, to determine whether, in fact, wrongdoing, was occurring.

This independent audit turned up ample evidence of probable wrongdoing including numerous checks made out to cash, outlays for which no corresponding receipt exists, and $3000 in missing cash which was supposed to be in the Travel Office during the audit, but which was not present. After the Travel Office employees were apprised of the matter they produced an envelope with $2800 in cash which they claimed was somehow overlooked by the team of 5 auditors who spent an entire weekend in the Travel Office conducting an audit.

After all this evidence came to light, the Travel Office employees were fired. It was the right thing to do. Any businessman confronted with a similar situation in his business would have done the exact same thing. *No smart businessman would wait until the outcome of a trial before taking action against employees who were apparently using funds improperly.*

Chairman Clinger admitted that there was nothing wrong with this sequence of events. When asked whether there was anything wrong with Mrs. Clinton's involvement with the firing, he replied, "No, but it—except that there was a cover-up here . . . A crime committed? No. I don't think so."

Chairman Clinger was right about there being no crime, but he is dead wrong about any cover-up. THERE CAN NOT BE A COVER-UP WITHOUT A CRIME. It is a legal impossibility. Now I have often been critical of this administration for taking actions which seemed foolish to me, but no one is so stupid as to release a document like this Watkins memo when they were actually trying to cover-up something.

In the 102nd Congress I was the Chairman of a subcommittee with jurisdiction over travel issues. I was stonewalled by the White House in the Bush administration. The Clinton administration has been far more forthcoming and cooperative with the Congress than the Bush administration ever was.

If the Chairman thinks there is some grand conspiracy out to "get" Mr. Dale and the travel office employees, then show the American people your allegations. Do you believe that the F.B.I. had no basis on which to pursue the referral? Do you believe that the career bureaucrats in the Justice Department acted improperly when they decided to pursue an indictment against Mr. Dale? Do you believe that a federal grand jury made up of ordinary Americans was derelict in their duty when they brought an indictment against Mr. Dale? Do you believe that the U.S. Attorney's office acted wrongfully when they prosecuted the indictment? If so, let's call them to testify.

Most importantly, if the Committee has any charges against the First Lady, by all means put them on the table and let her respond to them. You seek to have the American people believe that there is some grand conspiracy. If it is there, then prove it. But stop the campaign of innuendo which leads the American people to believe that some wrongdoing has occurred or is occurring.

Finally, I know that Mr. Watkins has the right under the rules of the House of Representatives to have all the cameras and microphones in this room shut off. I ask him not to exercise that right. It is important for the American people to know exactly what transpired here.

Mr. CLINGER. I would just say before we begin the questioning of Mr. Watkins this morning that this—you are absolutely right, Mr. Waxman, this is not about an illegal act. It does, however, I think rise to the level of credibility. And I think that is a very significant issue. If, in fact, there has been any dissembling in this matter, it suggests that there may have been dissembling in other matters. So I think there is an issue here of credibility that transcends legalities, transcends those kind of issues.

Mr. WAXMAN. Mr. Chairman, will you just yield to me another second?

Mr. CLINGER. I'd be happy to.

Mr. WAXMAN. There was an interesting article in the newspaper about scandals, and the author said we've gotten ourselves into a terrible habit: We originally focus our scandals on truth-telling, almost without regard to the gravity of the matter that the truth-telling is all about. And this is a lot different than Watergate, because Watergate was about the constitutionally grave problems with the administration of Richard Nixon doing things that were so improper.

What we have here is an inquiry about credibility, but if you look at—when you boil it all down to what's at stake, I really come back to, so what? Even if all the things you said were true, so what? There's nothing that's illegal and there's nothing improper in removing people from office, especially when there was an auditor's report that indicated clear mismanagement in the Travel Office involved.

Thank you for this chance to say a few words.

Mr. CLINGER. I thank the gentleman.

Mr. FOX. Mr. Chairman.

Mr. CLINGER. We're going to go right to questioning, Mr. Fox, no opening statements. If you have an opening statement——

Mr. FOX. Point of clarification; I'll give it in my opening statement then.

Mr. CLINGER. All right, thank you.

Mr. Watkins, we thank you very much for coming today. If you would not mind, we have a practice in this committee of swearing all witnesses so that no witnesses are prejudiced and if you would not mind doing that.

[Witness sworn.]

Mr. CLINGER. Thank you. Let the record show that the witness answered in the affirmative.

Mr. MATHIAS. Mr. Chairman, before Mr. Watkins gives his testimony, we would like to invoke House Rule III(f)(2) of the rules procedure of this committee, and ask that Mr. Watkins not be required to give any testimony with any cameras or photography.

Mr. CLINGER. We'll defer for a moment while we—the committee will stand in recess for 5 minutes.

[Recess.]

Mr. CLINGER. The committee will resume its sitting, and we have been in touch with the House Parliamentarian to get a ruling on at least his interpretations of the rules that you raised; and we will, in fact, accede to that request. But the request must be personal, as we're informed by the House Parliamentarian.

So I would ask you, Mr. Watkins, are you in fact asserting this privilege?

Mr. WATKINS. Yes, Mr. Clinger, on advice——

Mr. CLINGER. Can we turn on the mike somewhere?

Mr. WATKINS. Yes, Mr. Chairman, on advice of counsel.

Mr. CLINGER. Are you asserting the privilege personally?

Mr. WATKINS. I am asserting the privilege.

Mr. CLINGER. Therefore, pursuant to rule—well, you're asserting the privilege under the rule that was cited?

Mr. WATKINS. I'm asserting the privilege under Rule III(f)(2).

Mr. CLINGER. I understand. Therefore pursuant to Rule III(f)(2), I will now instruct that all lenses on television cameras be covered and other cameras be covered, and that all microphones be turned off.

Mr. DAVIS. Mr. Chairman.

Mr. CLINGER. The gentleman from Virginia.

Mr. DAVIS. May I make a parliamentary inquiry? Does this mean the print media will be allowed to cover the proceedings?

Mr. CLINGER. That is correct.

Mr. DAVIS. But the other media will not, the visual media will not?

Mr. CLINGER. That is correct. Under the Rule of the House, as interpreted by the Parliamentarian, the witness may request and has requested that he not be required to give testimony before live cameras and live microphones.

Mr. DAVIS. So that would apply to radio as well?

Mr. CLINGER. But they can stay, it is just that the lenses must be covered and the microphones turned off. And we will wait.

Do we have all cameras covered? I see a camera over here. And I think the—can we cover that lens? Or turn it around? All right. I think we are ready to proceed, Mr. Watkins.

Again, we will go directly to the questions of you and there will be probably several rounds of questions from the members of the committee. But I will start out under the 5-minute rule, and if somebody will turn that clock on. There we go.

Mr. Watkins, we have just received the most recent document from you, which is a copy of handwritten notes dated May 31, 1993, which was shortly after the May 19th firing of the employees. This was the first time we have seen these notes and therefore I have some questions about your recollection of what surrounded the preparation of those notes.

The White House finally produced a copy of your May 14th notes last October, and your June 2, 1993 notes in August, and your undated memo just a few weeks ago. Do you recognize all these notes that have been referred——

Mr. WATKINS. Are these what's in this?

Mr. CLINGER. That is correct. We are talking about the handwritten notes of May 31——

Mr. WATKINS. Yes, sir, I do recognize that.

Mr. CLINGER [continuing]. And the other notes, June 14, June 2.

Mr. WATKINS. And June 2, yes, I do.

Mr. CLINGER. So isn't it true that you wrote these notes shortly after the firings and immediately after Mr. McLarty announced that the White House was going to conduct a management review of the Travel Office firings?

Mr. WATKINS. Some were before. There's one, Mr. Chairman, 5/14, which was prior to the firings. But the rest were after.

Mr. CLINGER. Were after that——

Mr. WATKINS. That's correct.

Mr. CLINGER [continuing]. Notice of the Management Review?

Mr. SHAYS. Excuse me, Mr. Chairman, could the witness speak in the mike, please?

Mr. CLINGER. Yes, we need to ask you to get a little closer to the microphone.

Mr. SHAYS. It's the silver one that does it.

Mr. WATKINS. The silver one, OK.

Mr. KANJORSKI. We didn't turn those mikes off.

Mr. CLINGER. Mr. Watkins, in those notes you state that on May 12, Harry Thomason met with you in the morning and again in the afternoon. And in the afternoon Harry Thomason said that he according to your note, that he "bumped into Hillary and she's ready to fire them all that day." That is in your handwriting; is that true?

Mr. WATKINS. That is my handwriting.

Mr. CLINGER. Does that reflect your——

Mr. WATKINS. That reflects my recollection.

Mr. CLINGER. What Mr. Thomason said to you?

Mr. WATKINS. That is correct.

Mr. CLINGER. And on your notes you underline fire them and all that day. Isn't that correct?

Mr. WATKINS. That is underlined.

Mr. CLINGER. Mr. Watkins, this was 2 days, was it not, before Peat Marwick ever came to the White House?

Mr. WATKINS. Peat Marwick came on May 14, that's correct.

Mr. CLINGER. So it was 2 days before that, on the 12th of May, that this conversation with Mr. Thomason took place?

Mr. WATKINS. That's correct.

Mr. CLINGER. Are you aware of anyone briefing Mrs. Clinton on the financial condition of the Travel Office prior to May 12, the day she wants them fired? Do you know of anybody who might have briefed her on the situation at the Travel Office or raised any questions about the Travel Office prior to the May 12th?

Mr. WATKINS. To my specific knowledge, I know of no one, no, sir.

Mr. CLINGER. Are you aware of anyone briefing the President prior to May 12th on this matter, of your own personal knowledge?

Mr. WATKINS. Of my own personal knowledge, no, sir.

Mr. CLINGER. Mr. Watkins, you didn't have any auditors or financial consultants review the Travel Office prior to May 12th, did you?

Mr. WATKINS. No, sir, I did not.

Mr. CLINGER. Mr. Watkins, so then what we are talking about are rumors, suggestions of kickbacks and bribes that were raised by others, including Mr. Thomason; is that correct? In other words, there is no documented evidence.

Mr. WATKINS. No documented evidence, no, sir.

Mr. CLINGER. There were suggestions by Mr. Thomason and others that there were problems?

Mr. WATKINS. Yes, sir.

Mr. CLINGER. Mr. Watkins, both the President and First Lady have said they had heard rumors everywhere, right from the start of the administration. Did you hear such rumors?

Mr. WATKINS. I heard rumors for the first time as I recall in April. Mr. Thomason called me by phone.

Mr. CLINGER. In April?

Mr. WATKINS. In April.

Mr. CLINGER. I want to now move to your 9-page undated draft memorandum that we received from the White House just last week. That is the—Mr. Watkins, you have before you a copy, I believe, of that?

Mr. WATKINS. I do.

Mr. CLINGER. On this draft memorandum at the very top, the words "privileged and confidential" appear, and below that it is typed "memorandum for," with a blank space in the copy which was given out by the White House where the name would normally appear.

Mr. Watkins, did you write this draft memorandum?

Mr. WATKINS. I dictated this memorandum, Mr. Chairman. There was a—I had a scribe to actually write it.

Mr. CLINGER. But actually write it, but it was your——

Mr. WATKINS. It was my initiation, yes, sir.

Mr. CLINGER. We have heard in the past year from the administration officials claiming that they lied to themselves in their diary—I mean there has been that in other matters. In this instance, Mr. Watkins, were you truthful in the information that you included in the memorandum?

Mr. WATKINS. The information I included was as accurate as I'm aware of.

Mr. CLINGER. So you didn't lie to yourself or anybody else?

Mr. WATKINS. I did not lie to myself, I did not lie.

Mr. CLINGER. Mr. Watkins, I wonder if you would please read the first sentence of the text of that memorandum.

Mr. WATKINS. In an effort to respond to the internal Travel Office review, I have prepared this memorandum which details my response to the various conclusions of that report.

Mr. CLINGER. What report are you responding to in this memorandum?

Mr. WATKINS. I'm—in this memorandum I'm referring specifically to the internal Management Review by the White House.

Mr. CLINGER. And wasn't that report, the White House—it was the Travel Office Management Review which was authored by Mr. John Podesta; is that correct?

Mr. WATKINS. That is correct.

Mr. CLINGER. Who was then-staff secretary to the President, and by Mr. Todd Stern, I believe, who was then-deputy staff director and the current staff secretary; is that correct?

Mr. WATKINS. Mr. Stern worked on it, I'm aware of that.

Mr. CLINGER. And the White House Travel Office Management Review was issued on July 2, 1993; isn't that true?

Mr. WATKINS. That is true.

Mr. CLINGER. I will now recognize Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

Mr. Watkins, is it against the law for a new President and a new administration to fire people at the Travel Office and put new people in?

Mr. WATKINS. Absolutely not. Everyone in the White House serves at the pleasure of the President.

Mr. WAXMAN. And before you actually fired the people at the Travel Office, did you receive a management report from the Peat Marwick accounting firm?

Mr. WATKINS. Yes, I did.

Mr. WAXMAN. And what did that management report indicate?

Mr. WATKINS. The management report was pretty extensive about abysmal mismanagement, improper accounting procedures, sloppy recordkeeping, petty cash inconsistencies, et cetera.

Mr. WAXMAN. So you felt that you had some cause, even though you didn't need cause, to change these employees?

Mr. WATKINS. That's correct.

Mr. WAXMAN. In your memo, you talk about your actions and that you moved quickly to fire these people, but for which you were later—for which you were criticized. You indicate, though, you dis-

agreed with the White House Management Review on whether the firings of the Travel Office staff were handled with insensitivity. Could you elaborate?

Mr. WATKINS. Yes. The irony of it is that the possibility is that had we not acted on the report of Peat Marwick, there would probably have been criticism there for having this type of information and not acting on it. But I did not think it was insensitive since the Travel Office employees, as all of us in the White House, served at the pleasure of the President.

Mr. WAXMAN. An editorial in today's Wall Street Journal speculates that something other than financial mismanagement must have been motivating the White House because your memo expresses urgency in resolving this matter.

You were a central player in the White House Travel Office matter. First, describe for us the reasons that quick action was taken to fire the staff in the Travel Office, and, second, tell us whether you have knowledge that the White House's goal in firing the Travel Office staff was to give business to World Wide Travel and TRM.

Mr. WATKINS. Congressman, the situation with—what I thought the objectives of the Travel Office was never to give business to TRM or World Wide Travel service. It was at a time—one of the objectives or perhaps a primary objective, as I understood it, was a need for a positive press opportunity, finding mismanagement, finding financial wrongdoings within the White House Travel Office, and as it was at a time that there was discussions that this was a positive thing for the administration. There had not been a lot of positive press over the previous weeks, and that it was something that would be a positive opportunity for the White House. And that was urged by others.

Mr. WAXMAN. You indicate in your memo in light of the First Lady's insistence for immediate action and your concurrence, the abrupt manner of dismissal from my perspective, as you say, was the only option.

It seems to me all that this hearing is about is the involvement of the First Lady, whether the First Lady said we ought to get these people out, whether the First Lady suggested that changes be made.

You have only come into Washington with this administration, but I remember when we had a President by the name of Ronald Reagan. His wife engineered the firing of the Chief of Staff, Donald Regan. It was well-known. Do you recall whether there were any congressional hearings on whether Mrs. Reagan had any right, or whether she should be held accountable for the decision to fire the President's Chief of Staff?

Mr. WATKINS. I don't recall any, Congressman.

Mr. WAXMAN. It seems to me that what we are looking at is something that is pretty arbitrary. If you are looking for a problem and there is no problem, then you make it up as maybe there is credibility involved, maybe there is smoke and therefore there is fire, maybe there is some scandal there so you hold hearings, you hold investigations, you keep going on and on and on. But when you get right down to the bottom, there is nothing there, is there? Because the President had the legal right to fire these people, even without cause. There was apparent cause, certainly, to suggest that

this mismanagement of the Travel Office required new people to be in charge. The First Lady said something or other to the effect that the administration ought to put its own people in or ought to make some change, presumably. What is wrong with that? What is the scandal there, Mr. Watkins?

Mr. WATKINS. Well, I can assure you, Congressman Waxman, I was not involved in calling this hearing or consulted about calling this hearing. And I don't know of anything wrong with that.

Mr. WAXMAN. Is it illegal?

Mr. WATKINS. Not to my knowledge.

Mr. WAXMAN. Does it seem to you in any way improper?

Mr. WATKINS. Not to my knowledge.

Mr. WAXMAN. It doesn't seem to me, either. It just seems to me that we are looking for something to titillate the press and the press is looking for something to be titillated about. That is what this hearing is all about.

Mr. Chairman, I yield back the balance of my time.

Mr. CLINGER. I thank the gentleman. I am now prepared to recognize the gentlelady from Maryland, Mrs. Morella, for 5 minutes.

Mrs. MORELLA. Thank you, Mr. Chairman. And, again, I echo what Mr. Waxman said early on, we regret deeply your decision that you will not seek another term, Mr. Chairman, in this Congress.

Mr. Watkins, to me, the question is, and again I pick up on what Mr. Waxman said, I do not believe that this is a titillating event. I do not believe it is to titillate the press, because quite frankly my concern is that the reputations of career Government employees were ruined to justify their termination. And I think this is one of our problems that we are confronting here. I am concerned about the scope and the time line of the KPMG Peat Marwick investigation and the National Performance Review study. I hope you will shed more light on that. I am also interested in whether or not, with Peat Marwick, that actually that it was an auditing team that did it or was it a management team that rendered a report?

I guess you will be answering that for me. And my concern is the human effect of all of this.

The Travel Office staff members were career Government employees. They had between 9 and 32 years experience in the Travel Office. They served both Democratic and Republican Presidents. They reported to work one day and they were told they were fired as a result of poor performance and mismanagement.

Further, a White House spokesperson told the media that their termination was also due in part to findings of an FBI investigation, including potential criminal conduct, told to clear out their belongings and after about 32 years of service, escorted from the White House grounds in a cargo van by the Secret Service.

I think this is what this hearing is about is why did that happen? How did it happen? What went wrong?

My understanding also, Mr. Watkins, is that the—when Peat Marwick heard about the firings, they said that they did not believe that there were grounds for firing on the basis of their report. Perhaps I'll ask you if you will comment on those two points: Was it an auditing part of Peat Marwick, and did they respond and say these firings should not be justified on the basis of the report?

Mr. WATKINS. Congresswoman, I don't know the exact practice, what practice each of the members of the Peat Marwick team was on. When I was given the name of Peat Marwick, of a gentleman from Peat Marwick, I called him, described what we wanted, a financial—a review of the White House Travel Office. He, in fact, said that he would get a team together and be there the next day. So to my knowledge, it was someone that was familiar and did financial reviews.

The Peat Marwick investigation was not an audit. They felt there were not enough records there to audit, that they'd call it a review.

Mrs. MORELLA. Right.

My understanding is that indeed it was a management team they put together to review, as you say, but not their auditing team. So there is a significant difference.

I also understand that Peat Marwick never used the words "abysmal mismanagement," which came from that Management Review. Would you agree with that?

Mr. WATKINS. I'm not—I cannot concur or disagree.

Mrs. MORELLA. I think that is indeed true from what we have heard from the Peat Marwick report.

Picking up on your memorandum, sir, will you read the second sentence of your memorandum?

Mr. WATKINS. This is a soul cleansing, carefully detailing the surrounding circumstances and the pressure that demanded that action be taken immediately.

Mrs. MORELLA. Now, you were telling the truth, I assume, when you stated in this memorandum that it was meant to be soul cleansing; right?

Mr. WATKINS. That's correct.

Mrs. MORELLA. You state in the memorandum that you were carefully detailing the circumstances and the pressures that demanded that action be taken. Isn't it true that the action to be taken was the firing of the seven White House Travel employees?

Mr. WATKINS. That's correct.

Mrs. MORELLA. Right.

The memorandum is your account of the circumstances and the pressure that caused you to fire these seven Travel Office employees; isn't that correct?

Mr. WATKINS. Basically, Congresswoman, it is my reaction to the accounts of and report of the White House Travel, internal memorandum, internal review, and where they were critical of actions taken, it was my—basically my response to those criticisms.

Mrs. MORELLA. The memorandum is your truthful account of the circumstances and pressures that caused you to require that all the Travel Office employees leave the White House and, as I mentioned earlier, after being given only hours to gather up all of their belongings, vacate their office, an office that a number of them had had for over 25 years; isn't that true?

Mr. WATKINS. They were asked to leave that day, that is correct.

Mrs. MORELLA. That day, right.

You were truthful in your memorandum when you stated that it was important to set the record straight on the Travel Office occurrences, right?

Mr. WATKINS. That's correct.

Mrs. MORELLA. You had several previous conversations with investigators before you wrote the memorandum, right?

Mr. WATKINS. [Nods.] Yes.

Mrs. MORELLA. You were interviewed on June 3, 1993, for the White House Travel Office Management Review, right?

Mr. WATKINS. That's correct.

Mrs. MORELLA. And you were reinterviewed for the White House Management Review on June 15, 1993, right?

Mr. WATKINS. I think that's the correct date, yes.

Mrs. MORELLA. You had previous conversations with two FBI agents on August 10, 1993, concerning the Justice Department criminal investigation, right?

I'm just giving the chronology, as can you see.

Mr. WATKINS. I don't have specific dates in front of me, but I was interviewed by the——

Mrs. MORELLA. I have.

Mr. WATKINS. If that's what you have, that——

Mrs. MORELLA. And my time is expired.

I guess I'll have just one more yes or no answer.

You were interviewed by the investigators on December 3, 1993, from the General Accounting Office, correct?

Mr. WATKINS. If your records show that.

Mrs. MORELLA. They do indeed.

Mr. WATKINS. I know that I was interviewed by the GAO, yes.

Mrs. MORELLA. Thank you.

Then I will yield back the time I don't have.

Mr. CLINGER. I understand the gentleman from West Virginia, Mr. Wise, is to be recognized.

Mr. WISE. Thank you.

Mr. Watkins, let me just state I understand and I have the greatest respect for the relationship between attorney and client and sometimes there are decisions that have to be made that conflict with what perhaps the public needs are. I do regret the decision to close the cameras for this reason, that I think that 2 hours on C–SPAN and the networks would probably put this whole thing to rest because I happen to believe that there's a lot of fire and fury, or a lot of smoke and fury and very little fire here, but be that as it may.

It seems to me, Mr. Watkins, there are two issues here. One is whether or not there was undue—whether there was pressure put upon you, some allege undue, by personnel in the White House, including the First Lady—that's the allegation that's made—and the second is whether the management of the Travel Office was up to snuff, and indeed if the management of the Travel Office wasn't up to snuff, then were actions taken which are perfectly justifiable.

The interesting thing is, and what I gleaned from your 9-page—I believe it's a 9-page memo, is while some seize upon the paragraph saying that you felt that there may have been—that people were taking interest, and the First Lady took interest, according to your language, you also, throughout your memorandum, seem to suggest that there were problems in the Travel Office and that you were going to have to take certain steps.

Now, my first question is was there an already ongoing or was there going to be a review of the Travel Office and its operations?

Mr. WATKINS. Yes, Congressman.

Mr. WISE. Could I suggest to you that perhaps parts of the reason for that was the very name of the Travel Office. I note with interest the name the White House Telegraph and Travel Office. Did you send a lot of telegraphs from that office?

Mr. WATKINS. No, Congressman.

Mr. WISE. Then that perhaps suggests a need for streamline and review; does it not?

Mr. WATKINS. Yes, Congressman.

Mr. WISE. And I notice that Mr. Dale, who was employed at the Travel Office and was eventually acquitted, the fact that he was acquitted, does that mean, in your mind, that there were no problems in the Travel Office?

Mr. WATKINS. No, Congressman.

Mr. WISE. And I also note that public record states, the media have stated that Mr. Dale was offer—agreed to accept a 4-month—agreed to plead guilty to a lesser charge and to accept 4 months in jail. That was declined by the Justice Department and, of course, later he was acquitted. But he was prepared to accept some time apparently, in which would suggest a recognition that there were problems in the Travel Office.

I note with interest you stated that when Peat Marwick went to the Travel Office at your request, there were "not enough records for an audit." Does that suggest some problems?

Mr. WATKINS. That was their comment, yes, Congressman.

Mr. WISE. I note that regardless, you used the adjective "abysmal." I note that in your memo to Mr. McLarty, dated May the 17th, as well as your memo that is being used by this committee that you refer to the—and specifically refer to abysmal practice—used the word "abysmal." On page 2, at the bottom of your memo, undated: I concurred in Peat Marwick's analysis and conclusions. Management of the Travel Office was abysmal.

Is that a fair statement of your observations and conclusions at the time?

Mr. WATKINS. That—that is what I said. Yes, that is a fair statement.

Mr. WISE. So then part of this gets to, Mr. Watkins, if you had been permitted—if you had run the course, as your memo says that you had originally intended to do, which is to have a review that would take place over a longer period of time, and I believe October 1 was the closure date on it, is it very likely that you would have taken the same actions?

Mr. WATKINS. It is likely that the—and very probable after we reviewed the Travel Office in due course, that there would have been a significant reduction in Travel Office personnel, yes.

Mr. WISE. Is it likely that you would have changed the operating practices of the Travel Office either in recordkeeping or perhaps in travel arrangements?

Mr. WATKINS. I'm sure we would have, yes.

Mr. WISE. And in terms—in terms of reduction of personnel, you went from 7 to 3, although all 7 of the original people there were dismissed. In terms of reduction of personnel, you probably would have been to that level regardless, 3 people.

Mr. WATKINS. The motivation, a lot of the motivation in the areas of management and administration of the White House, of which I was responsible, was for the reduction of—the 25 percent reduction of the White House staff that the President had promised.

Mr. WISE. And when there began to be discussion in the spring, April and May, I presume, when there began to be discussion of possible problems in the Travel Office and you brought in Peat Marwick, if you had not taken immediate action, do you think that you would have been subject to criticism?

Mr. WATKINS. I think there's the possibility, of course, that we would have been subject to criticism. I stated that earlier that, yes, you're sort of in, you know, a no-win situation.

Mr. WISE. According to your memo as Director of Management and Administration for the White House, you intended to review the Travel Office in order to create a "leaner" your word, operation before the start of the fiscal year.

I'm just curious, was this the result of—for the record, was this the result of pressure and cronyism and undue influence from the very top of the White House or was it sound management practices?

Mr. WATKINS. It was management practices and the fact that we were trying to reduce the White House staff by 25 percent and the Travel Office came under the White House staff.

Mr. WISE. And that was a goal that was set long before this blew up?

Mr. WATKINS. It was set in the President's campaign.

Mr. WISE. Thank you very much.

Mr. CLINGER. I am prepared to recognize the gentleman from Connecticut, Mr. Shays, for 5 minutes and ask him to yield just 30 seconds——

Mr. SHAYS. Happy to yield.

Mr. CLINGER [continuing]. To make the point that the question surrounding the release of the plea bargain with regard to Billy Dale is being investigated. It was very unorthodox and very questionable how that came to pass.

Clearly, Mr. Dale indicated in that plea bargain that he would agree that he had intentionally placed Travel Office money in his own account but he gave a reason for why he had to do that, not—he also indicated he would not in any way admit to trying to defraud the United States or the person who entrusted those funds to him, nor would he admit that he had an intent to permanently deprive the United States.

He was looking at what ultimately ended up costing him $500,000. He was hoping to be able to not have to spend that much money. But the release of that plea bargain was absolutely unconscionable, in my view, and we're going to investigate that.

And I yield to—I yield back to the gentleman.

Mr. SHAYS. I thank my chairman.

Mr. Watkins, it is the privilege of a witness to invoke the Fifth Amendment. It's also the privilege of a witness to ask that the cameras be shut off and the radio. For the life of me, I can't imagine why you would have made that request.

And my colleagues on the other side of the aisle have basically talked about this as a pointless hearing, and I have to tell you, I was somewhat ambivalent, but you have raised my interest 100-fold. This committee looks at waste, it looks at fraud and it looks at abuse, and I am beginning to sense that there was a hell of a lot of abuse at this White House. Is it against the law for the White House to misuse the FBI and the IRS to harass public people?

Mr. WATKINS. I had no con—I had——

Mr. SHAYS. I asked, is it against the law?

Mr. WATKINS. To my knowledge, it is. To the best of my knowledge, it is.

Mr. SHAYS. You had previous conversations with two FBI agents on August 10, 1993, concerning the Justice Department's criminal investigations; isn't that correct?

Mr. WATKINS. I don't have the precise date, but I—I assume that is correct, yes, sir.

Mr. SHAYS. You met with two FBI agents?

Mr. WATKINS. I did meet with the FBI agents in that summer.

Mr. SHAYS. You were interviewed by investigators on December 3rd, from the General Accounting Office; isn't that true?

Mr. WATKINS. I did, was interviewed by the GAO.

Mr. SHAYS. And were you interviewed in the House by the Independent Counsel Fiske, by the FBI and an attorney with the Independent Counsel on June 22nd; is that correct?

Mr. WATKINS. I'm not sure about that date.

Mr. SHAYS. Were you interviewed by these individuals?

Mr. WATKINS. By the Independent Counsel?

Mr. SHAYS. Yes.

Mr. WATKINS. On what subject?

I've had many interviews, Congressman, and I'm try—I'm trying to answer you precisely.

Mr. SHAYS. I won't pin you down to the date. I want to know if you were interviewed by the Independent Counsel?

Mr. WATKINS. I have been interviewed by the Independent Counsel.

Mr. SHAYS. About Travelgate?

Mr. WATKINS. I just don't recall that date and what that interview was about from—at this time.

Mr. SHAYS. About Bob Foster's death as well?

Mr. WATKINS. Vince Foster's death?

I was interviewed by Independent Counsel about Vince Foster's death; yes, sir.

Mr. SHAYS. Was there any connection between Vince Foster and Travelgate?

Mr. WATKINS. Any connection about Vince Foster's death and Travelgate? Not—not to my knowledge.

Mr. SHAYS. Mr. Watkins, in your memorandum, you state that you had been as protective and vague as possible. You were referring to protecting information concerning the First Lady's involvement in the firing of the White House Travel employees and the role of Harry Thomason; isn't that true?

Mr. WATKINS. I'm specifically referring to the investigation by the White House Management Review Team, the investigators

there, relating to their questions of me about Mrs. Clinton's involvement.

Mr. SHAYS. Were you ever protective and vague when it came to describing the First Lady's involvement in the firing of the Travel Office employees? Isn't that true that you were protective and vague about it?

Mr. WATKINS. As I stated, I was protective and vague in answering the question of the White House Travel Office—I mean the internal review team when they asked me if there was—when—one of the concluding questions of their interview: Was there something more you would like to comment on about the First Lady?

Mr. SHAYS. Mr. Watkins, you are under oath and I want to take this very slowly, but I have a specific question and if the answer is not true, you are more than welcome to say it isn't. Were you protective and vague whenever it came to describing the First Lady's involvement in the firing of the Travel Office employees?

I have no problem with your attorney sitting up with you if he would like to.

Mr. WATKINS. I don't—I don't—that's not necessary. I was not—my reference to protective and vague in this memorandum refers to the questions of the investigators, Podesta, Stearn, et al, in their two investigations of me related to the White House Management Review. My whole memo refers and relates to that White House Management Review document.

Mr. SHAYS. Did you ever lie to your own people about any of this incident?

Mr. WATKINS. I did not.

Mr. SHAYS. Do you think that Vince Foster was referring to you when he said in his notes: Our people lied?

Mr. WATKINS. I do not.

Mr. SHAYS. Yield back my time.

Mr. CLINGER. I thank the gentleman.

And I now recognize the fellow gentleman from Pennsylvania, Mr. Kanjorski, for 5 minutes.

Mr. KANJORSKI. Thank you very much, Mr. Chairman.

Mr. Chairman, maybe I could direct this inquiry to the Chair.

I have to say that I received, in fact, notice that we were having a special hearing on this special witness and had to travel back through the iced highways of Pennsylvania last night around midnight, and witnessed at least 40 collisions, where I realized that I was putting my life in jeopardy to return here today, and I'm—I'm curious why we are here.

Mr. CLINGER. I commend you for your perseverance in getting here, Mr. Kanjorski.

Mr. KANJORSKI. I wouldn't miss it for the world.

Mr. CLINGER. That is why we are here.

Mr. KANJORSKI. Is this the only day that you can testify out of this entire year?

Mr. WATKINS. Pardon me, sir?

Mr. KANJORSKI. Is this the only day you were available to this committee for the rest of the year?

Mr. WATKINS. No.

Mr. KANJORSKI. Were you available any other day, perhaps next week when the Congress is in session and the House would normally be here?

Mr. WATKINS. Yes, sir.

Mr. KANJORSKI. Why—did you ask to come here today?

Mr. WATKINS. I didn't ask to come any day, no.

Mr. KANJORSKI. You didn't ask the committee for anything, did you?

Mr. WATKINS. No, sir.

Mr. KANJORSKI. Did they ask you for anything?

Mr. WATKINS. A lot of documents.

Mr. KANJORSKI. Did they ask you to be here today by subpoena?

Mr. WATKINS. I—yes. I don't know if it was by subpoena. I was invited to be here today. I think I was initially invited to be here last week and then today.

Mr. KANJORSKI. Wasn't it a fact that the committee wanted to examine you and that you were perfectly willing to be examined by the counsel, the staff of the committee, except that the minority staff was supposed to be present at the same time, and that was denied, and that is the reason that you wouldn't sit under an interview before this committee, and that you subsequently, therefore, were called to testify in public because you said that is the only way you are going to do it? Is that a fact?

Mr. WATKINS. State the question again. I'm not sure I understand that.

Mr. KANJORSKI. Well, you did refuse to be interrogated by the staff of the——

Mr. WATKINS. My attorney.

Mr. KANJORSKI. Majority; didn't you?

Mr. WATKINS. I believe—and this was sort of his decision, it was decided not—that I should not be interviewed by the staff but——

Mr. KANJORSKI. Did he tell you the reason for that? Was his reason the fact that the minority side staff was excluded from that interview?

Mr. WATKINS. I don't know the reason. The reason given to me was that I was certainly—and I indicated to him, I'm certainly willing to be here today or any day and cooperate fully and answer questions of the entire committee.

Mr. KANJORSKI. You know, I heard your testimony earlier, I think to Mr. Waxman, that you felt this was a press opportunity, a positive press opportunity and that that was the motivation of the White House?

Mr. WATKINS. That was one of the objectives, that's correct, sir.

Mr. KANJORSKI. Now that is dumb. Now——

Mr. WATKINS. I'm not a press person.

Mr. KANJORSKI. There is a movie that went out, and I didn't bother to see it because I don't particularly think we should particularly appeal to this side of the American culture, but this movie is "Dumb and Dumber." The committee now is dumber than even the White House because they are inquiring into, as I see it, something that happened down there that is no crime, no involvement of anyone.

Anyone could have walked in the White House the first day after the inauguration and sent everybody home, and there was no ille-

gality in it, no wrong activity. We did probably have a sensitive First Lady who was smart enough to remember the examination of my committee of the Bush White House and travel and how corrupt it was and wanted to make sure that her husband and his presidency wasn't stained, and heard the rumors and knew what we had investigated in the prior administration and probably said let's clean out that rat's nest, if there is a rat's nest, or let's find out what's there. Is that relatively what happened?

Mr. WATKINS. You're—you're referring to Mrs. Clinton's interest?

Mr. KANJORSKI. Yes. It was a normal interest a protective wife——

Mr. WATKINS. I only had one conversation with Mrs. Clinton, but I think that the assumption that there was reasons for—and again, that these people in the Travel Office served at the pleasure of the President.

Mr. KANJORSKI. Now, you know what, Mr. Watkins?

I think you probably were trying to do a good job. You probably came with management-consulting experience but terrible press and public relations experience. They think the White House still has terrible press and public relations experience, and probably that is the price they are paying for hearings like this.

But I said dumb and dumber. Your assertion of that right not to be televised or on the radio, to tell this story once and for all to the American people, to put it to end, is the dumbest thing I have run across. If that is your judgment, your attorney's judgment, if it is—if it is your judgment based on his advice, you probably are wise in taking his advice. If it is his advice to give you that, I have to wonder whether or not he is looking for a potted palm. That made another lawyer in this town very famous at one time.

But what you have succeeded in doing by closing this hearing to the American public and to the electronic press, is to do exactly what Mr. Shays suggested; you have created an aura now that there is something here that should really be looked into. It means that I am going to have to waste a lot of my time as a member of this committee and a Member of this Congress, listening to folks like you and reading your memos, or reading the staff preparation of your memos ad infinitum, and not have the opportunity to look into what we are doing to Medicare, Medicaid, education, environment, and all the other important issues before this Congress and before this Government.

And I think it is a good reason why, when I woke up this morning, I understood why Bill Cohen is leaving the Senate and why my friend here is leaving the House. I think this is abominable that we have dumb, dumber, and dumbest controlling this Government today, and we not smart enough to know we better shed light on what we are doing.

And you know what my opinion is? I don't know whether you are a friend of the Clintons or an enemy of the Clintons now.

I know you made a mistake playing golf or something, and that got you to go back to Arkansas. But I am telling you, if we don't start opening up and letting the American people know that there isn't serious things wrong with this Government, that in fact there is a lot of hard-working bureaucrats, a lot of hard-working Ameri-

cans, a lot of hard-working elected officials on both sides of the political aisle, we are going to lose something great in this country.

Mr. CLINGER. The gentleman's time has expired.

And I am now going to recognize the gentleman from New Mexico, the vice chairman of the committee, Mr. Schiff, for 5 minutes.

Mr. SCHIFF. Thank you, Mr. Chairman.

First, I join with those on both sides who regret your decision to leave the House of Representatives. You'll be missed.

Mr. Chairman, I want to take advantage of your opportunity to allow members to use 5 minutes or a portion of their 5 minutes on an opening statement. I have a couple comments I want to make. I then, if I have remaining time, do have a question or two for Mr. Watkins.

I want to address two issues: The first is, the question has been raised now several times from the other side of the aisle: What is the purpose of this hearing? And the answer is the purpose of this hearing is to look at the integrity of the management of Government. It is far more important than the Travel Office itself, which most Americans probably didn't have occasion to even know about.

One—it has been submitted on one side that the Travel Office employees were all fired, as was the legal right of the administration, because of financial mismanagement that allowed no other course of action. It has been suggested however as an alternative that they were really fired as an agenda to get in political allies into getting White House-based business, that in order to hide the real motivation, that every effort was made to sully the reputations of these longstanding White House employees, including the misuse of law enforcement, and there was an effort made then to cover up that agenda when it started to become public.

And it seems to me that in the decision of the witness to invoke kind of an electronic Fifth Amendment here, that the American people know better than I could tell them, which side wants the whole story to come out and which side does not want the whole story to come out.

The second, Mr. Chairman, is it has been stated that we have had a number of inquiries already on this subject, and I want to say that the problem is inquiries previously done, and there were a number, were done without all of the documents being available. And I know of no precedent for, under Republican or Democratic administrations, for documents to appear years after first requested.

And I think that you eloquently gave examples of that in your opening statement, from the documents provided just recently, to the fact that the late Mr. Vincent Foster's file on Travelgate sat in the White House Counsel's office for at least a year without being turned over to official investigators.

I want to say that holding things to the last minute is going on up to the last minute. What you received today, Mr. Chairman, a letter dated today, January 17, from Associate White House Counsel John Quinn. And Mr. Quinn talks about who saw the memo, the typed memo that Mr. Watkins prepared, that we have been referring to, before it was turned over to this committee.

Now, here is the list of people in recent times, after Mr. Watkins wrote it, who saw this memorandum after—before—excuse me, be-

fore it was turned over to our committee. Patsy Thomasson of the White House; Doug Matties of the White House; Nellie Doering of the White House; Bruce Overton of the White House; Nelson Cunningham of the White House; Natalie Williams of the White House, Counsel's Office; Jonathan Yarowsky of the White House Counsel's Office; Jane Sherburne of the White House Counsel's Office; Harold Ickes of the White House; Kim Holliday of the White House; Miriam Nemetz of the White House Counsel's Office; Mark Fabiani of the White House Counsel's Office; Rochester Johnson of the White Counsel's Office; Michael Massey of the White House Counsel's Office; Mr. Quinn himself, Kathleen Wallman of the White House Counsel's Office.

He then goes on to state, on about the 2nd or 3rd of January, Ms. Sherburne, who is of the White House Counsel's Office, also provided a copy of the memorandum, Mr. Watkins' memorandum, to Ty Cobb, then counsel to Mr. David Watkins; David Kendall, counsel to the President and Mrs. Clinton; David Williams, counsel to Mrs. Patsy Thomasson; and Amy Sabrin, counsel to Mr. Harry Thomason.

In addition, Ms. Sherburne showed a copy of the draft memorandum to Mrs. Clinton on January 3, 1996—this is before we were shown it—in connection with her preparation for an interview with "Newsweek" scheduled for the following day.

Mr. Quinn then adds after that as follows: After the document was provided to the committee, it was made available to interested parties, including members of the press.

It sounds to me, Mr. Chairman, like there were a whole bunch of interested parties before it ever got to this committee, much less making it available to interested parties after it got to the committee. I don't know who was left, who was an interested party after they showed it to everyone in the White House, before they would show it to us, despite our request. So I hope that sets straight not only who wants all the facts to come out about this situation and sets straight who is willing to be up front about providing documents and who isn't.

Mr. Watkins, thank you for being patient through that.

For the time I have left, I want to go to one specific issue: Mrs. Clinton, our First Lady, has been quoted recently in the news media as saying that her interest in the Travel Office might have been misinterpreted to mean that she intended specifically to see that the Travel Office employees were fired.

And I'm looking at page 2 of your typewritten memorandum, and you make several references to Mrs. Clinton. In the second full paragraph, you refer to Vincent Foster, and say Foster regularly informed me that the First Lady was concerned and desired action. The action desired was the firing of the Travel Office staff. Is that your understanding of Mr. Foster's understanding of the First Lady's intent?

Mr. WATKINS. Yes, it is, Congressman.

Mr. SCHIFF. And a little bit further down in the paragraph you have your own conversation with Mrs. Clinton, and you say, "she," referring to our First Lady, mentioned that Thomason had explained how the Travel Office could be run after removing the cur-

rent staff. So in your conversation with Mrs. Clinton, there was a specific reference to removing the current staff?

Mr. WATKINS. In my conversation with Mrs. Clinton——

Mr. SCHIFF. Yes.

Mr. WATKINS. As I recall, we discussed the fact that if the current staff were removed that there could be in place a staff that could perform the duties very well.

Mr. SCHIFF. But first the current staff had to be removed.

Mr. WATKINS. That's correct.

Mr. SCHIFF. And that was discussed with Mrs. Clinton.

Mr. WATKINS. It was—it was, yes.

Mr. SCHIFF. And I see my time has expired. Thank you, Mr. Watkins.

Mr. WAXMAN. Mr. Chairman, I ask unanimous consent the gentleman from New Mexico be given 1 additional minute.

Mr. CLINGER. Without objection, so ordered.

Mr. WAXMAN. I would like to ask him to yield to me. I indicated that there were legislative employees that were nonpolitical that were summarily fired, some right before Christmas. They were nonlegislative, nonpolitical. They were fired. Do you think we ought to have an inquiry about how they were treated with the integrity of the legislative process?

Mr. SCHIFF. Reclaiming my time that the gentleman got for me.

Mr. WAXMAN. Sure.

Mr. SCHIFF. The gentleman raises an interesting point. I think the difference is this: The Republican majority in this particular case, whether I think it was wise or not, through our leadership made a decision to replace certain employees on the basis that they had the legal right to do so. That is the major reason given by the Republican leadership in making those choices. They wanted to make changes in how the Congress operated.

In the situation before us, we have a situation, although very clearly the White House, the Clinton administration, had the legal power to remove all the White House employees, it did not have the legal power to misuse law enforcement, to sully their reputations. It did not, in order to cover up an agenda of rewarding his political allies——

Mr. KANJORSKI. Will the gentleman yield? I ask unanimous consent for the gentleman to have an additional minute.

Mr. SCHIFF. Well——

Mr. CLINGER. The gentleman controls the time.

Mr. SCHIFF. If I could just finish my statement. The White House did not have the legal prerogative of misusing law enforcement or otherwise using tactics to tarnish the reputation of employees——

Mr. CLINGER. The gentleman's time has expired.

Mr. SCHIFF [continuing]. To hide the fact that they wanted a political agenda.

Mr. CLINGER. I would now recognize the gentleman from Minnesota, Mr. Peterson, for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman. And I am reluctant to wade into this, being one of the few nonlawyers and not understanding a lot of this process, but I am a CPA, and I just got done reading the Peat Marwick report, and it struck me that maybe something useful can come out of this hearing.

I agree there are a lot of dumb things that were done, a lot of dumb advice given, and the criticism of the First Lady and the President is that they followed some of that advice sometimes. But in this report, it was not an audit as Mr. Watkins asserted, and what they did is trace through some things, and as near as I can tell, when they checked things specifically, they basically checked out.

What they were criticizing was internal controls and the whole process, and I see we have some of our friends from the national media here. You know, we have tried to bring something to light that we cannot ever get anybody to pay attention to, and maybe this is an opportunity to do that.

It says in here that there are no general ledgers or other form of double entry bookkeeping, no financial statement presentation and no external review mechanism. Well, it might surprise people to find out—and I think I am still right about this, that that exists in all 13 agencies of the Federal Government. We have no financial accounting system. We have no financial statements, and we have no audits of the agencies here in Washington.

And I will bet if you look into how some of these other agencies operate in these same regards, for example the State Department when they run CODEL's, and I might be opening a can of worms here, but I would guess that you are going to find the same kind of process that went on in this Travel Office.

Last night by accident I happened to watch Larry King Live and saw some of the seven people who were on this program, and I think everybody on this committee ought to get a copy or get that tape and look at that. But one of the things that surprised me, I guess maybe should not have surprised me, is here we have Government employees that were basically running this fund of their own money. And as I understand it, at least with part of these receipts, this—this Billy Dale is the one that would have been accountable for the loss of money or the—anything that slipped through here because this was not Government money. This was some fund that he controlled. And if the money disappeared, apparently he would be responsible, as it was explained last night.

This is a crazy way to do business. But I will bet you if you looked into a lot of these agencies, you would find that we have similar kinds of situations going on all through the Government. And for my friends in the national media, I really think you folks ought to start looking into this because we do not have an accounting system for most of the Government. We have a budget system that nobody can understand except the budgeteers, and they frankly want to keep it that way.

We have been pushing for this Chief Financial Officers Act since 1989, which the agencies have fought. I will give this administration credit that they have been finally putting CPA's into these positions, and they are trying to do something. But they fought this, you know, the AICPA and other groups in this country have been trying to get this done. We cannot get anybody to pay attention to this. So maybe this hearing will give us some impetus—impetus and give some people who have the clout to look at this so we can move this up to the top burner.

But you know, I do not know how in the world anybody can think that they got a positive spin out of the fact that there might have been some mismanagement in here other than reading this report. It looked to me like it was tied into this 25 percent staff reduction that they got themselves committed to and that somehow or another this White House Travel Office would play into that. Maybe that's how they thought this would be positive.

I guess it would be conjecture on your part to understand what it would be. But in reading your document, it looked like that might have been part of it. I don't know if we should even get into that because that is, as I said, a dumb strategy. I agree with Mr. Kanjorski on that.

But I just hope that people will, I don't know if we are going to get a chance to hear from these folks in this committee that were part of—that were laid off, but I think that they ought to have a chance to tell their side of the story if we are going to have these hearings. And I hope——

Mr. CLINGER. Will the gentleman yield just on that point? We have scheduled a hearing for this coming Monday to give the Travel Office employees an opportunity to tell their side of the story, which has never really been told.

Mr. PETERSON. And Mr. Chairman, if we could, maybe the staff has this, but I would be interested in finding out more about how this operation audit—operated, what portion of the moneys that was in there were actually in this—was almost like a—I don't want to call it a slush fund, but it was in this fund that—where they came in and out and how much of it might have been government money, and I don't know if we have that information but—and maybe Mr. Kanjorski knows some more about this. But——

Mr. KANJORSKI. Will the gentleman yield?

Mr. PETERSON. Yes.

Mr. KANJORSKI. If I could suggest something, I think you have an excellent idea. Since we are all here, and we are going to be spending time on these things over the next several months until the November general election, I suspect, and by that time it will probably be moot, can I suggest, Mr. Chairman, I heard the gentleman from Arizona suggest, and it was a serious thing and I have read it in the paper, that the First Lady or the President used the Justice Department to persecute and prosecute. I have heard that said several times.

Now, I am wondering, from everything I have read and all the reports that I get, I had understood that there was a Federal grand jury convened, heard testimony, and then a professional prosecutor from the Department of Justice presented evidence before that grand jury, an indictment by private American citizens was made and a trial was held in the District Court of the District of Columbia and there was an acquittal. But there's a suggestion here that there was no merit to proceed to indictment or trial.

May I ask that this committee call the prosecuting attorney and the appropriate officials of the Justice Department——

Mr. CLINGER. The gentleman's time has expired.

Mr. KANJORSKI [continuing]. To find out if there has been abuse?

Mr. CLINGER. We will take the gentleman's request under advisement. I will point out before recognizing the gentleman from Flor-

ida that there were no Federal funds involved in the operations of the Travel Office other than the salaries that were paid to the employees of the Travel Office. All of the funds in the Travel Office accounts were from the media who were serviced by the Travel Office. I would now recognize the gentleman from——

Mr. SCHIFF. Mr. Chairman, since the gentleman mentioned my name, although I happen to be from New Mexico, I think the gentleman was referring to me. I wonder if I could ask unanimous consent for 30 seconds to respond.

Mr. CLINGER. Without objection, the gentleman is recognized for 30 seconds.

Mr. SCHIFF. First, I appreciate my colleagues on the other aisle not objecting. I want to say that my exact words were I felt that law enforcement was misused. Was it misused in the prosecution itself? That can't be stated except the fact there was an acquittal at the end, but there was an indictment.

Mr. KANJORSKI. Do you——

Mr. SCHIFF. If I can just finish my statement. I think it has been acknowledged that bringing in the FBI the way they were brought into this, that by another associate counsel saying if the FBI won't do something, it will be given to the IRS, by the fact that it was announced publicly that the FBI was investigating these people, which is against all procedures of law enforcement, by the fact very recently the plea discussions were made public, which is an inappropriate use of law enforcement. I stand by my statement.

Mr. CLINGER. The gentleman's time has expired. I am now recognizing the gentleman from Florida, Mr. Mica, for 5 minutes.

Mr. MICA. Thank you, Mr. Chairman. Since we are on the question of the FBI, we have this latest handwritten memo that we received and I see your note, it is 007991. Mr. Watkins, you say FBI would not ordinarily get in but—and you have "in but" underlined and not also. What did you mean by that comment that you wrote on May 14th notes?

Mr. WATKINS. This was a long time ago, Congressman, and I don't recall specifically. It was dated 5–14–93. But my best interpretation of what I meant there is that when we were discussing how do you look into this—on the day of, I guess, May 13, how do you look into investigating something that shows financial wrongdoing or allegations and such? Where do you go? Well, we had no audit cape——

Mr. MICA. Did you go to the White House counsel to ask whether——

Mr. WATKINS. This was in the counsel.

Mr. MICA. Yes.

Mr. WATKINS. This was.

Mr. MICA. Did you ask Mr. Foster?

Mr. WATKINS. This was in a meeting with Mr. Foster and Mr. Kennedy.

Mr. MICA. I think he advised against—did he advise against having the FBI called in?

Mr. WATKINS. No, I think the proper sequence was that we were discussing the situation, who—who does do this type of thing, and we didn't know. We had no internal audit mechanism, and no one really knew where you went to go. There was this general discus-

sion about well, where do you go in Government? Where do you go to find this type of thing?

As I recall, the discussion got around to Mr. Kennedy had frequent contacts with the FBI there at the White House because he was involved in security clearances and that he would make a call to determine and ask that question.

Mr. MICA. So he was the first one. But later on I think when you were reporting to the press, and there was a memorandum dealing with reporting to the press about the firings, didn't Mr. Foster advise against revealing that the FBI had been contacted?

Mr. WATKINS. I—I think the specific reference, Congressman, was in a draft memorandum that my office prepared——

Mr. MICA. Right.

Mr. WATKINS. That it said it mentioned something about FBI investigations. And Mr. Foster and Mr. Kennedy got a draft copy, and they suggested that that reference be deleted.

Mr. MICA. And did you not try to get that reference deleted from various copies that were distributed?

Mr. WATKINS. Yes, I did.

Mr. MICA. And wasn't it also a fact that Miss Myers, who was press secretary, had already talked to someone, had received a copy of that, so the cat was sort of out of the bag, and that is how the FBI involvement got released; is that correct?

Mr. WATKINS. The fact of an FBI investigation, that is correct.

Mr. MICA. Let me ask you a question. You're from Little Rock?

Mr. WATKINS. I am.

Mr. MICA. And what did you do before you came to the White House? Did you have a travel—I'm sorry, an advertising agency?

Mr. WATKINS. I had an advertising agency from—yes, from about 1975 until—very active until about 1986.

Mr. MICA. And was one of your clients World Wide Travel?

Mr. WATKINS. At one time I was in a holding company owned by a bank, and during that time, World Wide Travel Service was a client of mine, yes.

Mr. MICA. And they paid you, say, how much over the time?

Mr. WATKINS. Oh gosh, I couldn't recall. They were not a big account.

Mr. MICA. They weren't. What was your relationship with—is it Betta Carney?

Mr. WATKINS. Betta Carney. She was an acquaintance, not a friend—not a close friend.

Mr. MICA. And she ran World Wide Travel?

Mr. WATKINS. She was the president of World Wide Travel.

Mr. MICA. And I guess you were involved in the Clinton campaign?

Mr. WATKINS. The Presidential campaign?

Mr. MICA. Yes.

Mr. WATKINS. Yes, I was.

Mr. MICA. Was World Wide Travel selected by anyone in particular as the Clintons?

Mr. WATKINS. World Wide Travel Service came and made a proposal and they were selected, yes.

Mr. MICA. They made a proposal. But who made the decision to hire them?

Mr. WATKINS. I did.

Mr. MICA. You did. Let me ask you, if you had this relationship with these folks, and they ran the campaign and the Travel Office for the campaign, were you aware of how much was paid to them during the campaign, and how much, say, the net profit was or net return to Miss Carney?

Mr. WATKINS. I don't have—I don't have that precise information, no.

Mr. MICA. Did you ever make any statements that one of the reasons that you were successful in the election was that, in fact, that you used the overbilling of the press, the float from that, to help finance the Clinton campaign?

Mr. WATKINS. Overbilling of the press?

Mr. MICA. Yes. The press was billed for their participation in the campaign by World Wide Travel. They were, in fact, paid by the press. That money went into the Clinton campaign. And did you ever make a statement that World—that the float from the excess charged to the press helped World Wide—or World Wide Travel, in fact, helped you be successful in your campaign?

Mr. WATKINS. I don't recall what you're—into what you're referring, no, sir.

Mr. MICA. You have no recollection of that. Are you aware of how much World Wide Travel was paid by the campaign?

Mr. WATKINS. As I stated, I am not—I don't have those records and I don't know.

Mr. CLINGER. The gentleman's time has expired.

Mr. MICA. I will get back to this line of questioning a little bit later.

Mr. CLINGER. The gentleman's time has expired, and I now recognize the gentlelady from New York, Mrs. Maloney, for 5 minutes.

Mrs. MALONEY. Thank you, Mr. Chairman.

We will miss your wisdom and experience in what is truly the most partisan Congress in history. You worked very hard in a bipartisan way on the procurement legislation, and on centralization of debt collection legislation. But Mr. Chairman, I consider this hearing today extremely partisan. No one, Mr. Chairman, no one should mistake what is happening today as a serious congressional hearing.

This is one more shot in the developing 1996 Presidential campaign. If the majority was truly interested in solving the problems of the White House Travel Office, this hearing would be concentrating on innovative approaches to travel management in the executive branch.

At the last hearing, I called for a bipartisan effort to create privatization of the entire Travel Office and requiring competitive bidding to get the best price for the citizen taxpayer. I would like to enter into the record, with your approval, Mr. Chairman, an outline of activities by the White House to improve management in the Travel Office, and I'd like to put in the record a report that came out last month entitled, "Improving Travel Management in Government."

Mr. CLINGER. Without objection so ordered.

[The information referred to follows:]

IMPROVING TRAVEL MANAGEMENT IN GOVERNMENT—DECEMBER 1995

ISSUE

Use Travel Management Centers (TMCs)

BACKGROUND

The General Services Administration (GSA) Travel Management Center (TMC) Program consists of contracts with private sector travel agents to provide commercial travel services at no cost to the government. The travel agents are paid commissions from other travel service providers (airlines, hotels, etc.). Historically, TMCs have provided one-stop shopping for passenger transportation, lodging, and rental vehicles for federal travelers. Some large professional travel agent companies offer a broad range of travel services. Expanding the use of TMC services to include travel policy compliance, pre-determined travel cost estimation, and detailed travel expense reporting may result in the government being charged for services. However, these services, currently being performed by government agencies, could be outsourced to streamline governmental operations, and significantly reduce the administrative costs associated with federal travel.

RECOMMENDATION

The Project Team recommends federal agencies outsource to TMC's all travel arrangements and travel cost estimations and expense reports. The General Services Administration and federal agencies should partner to identify requirements to develop a range of expanded standard services. TMCs can use management information to integrate agency defined cost limit controls and compliance checks to ensure bookings and itinerary changes comply with federal and/or agency's travel policy guidelines. Linking TMC pre-determined cost estimates and expense reports, and agency accounting data will improve government financial management. These links will provide data to (a) better manage trip planning and travel funds, (b) implement lower cost payment options such as Electronic Funds Transfer (EFT) and split disbursement (to the traveler and to the government charge card company), and (c) reduce account reconciliation costs, and travel information retention costs. In addition to the savings identified in the matrix (Appendix A), this proposal will reduce administrative expenses which cannot be quantified at this time.

IMPLEMENTATION

Implementation of this proposal requires development of standardized contractual specifications to include the recommended services. GSA should develop general standards specifications and consult with agencies to develop additional agency requirements.

Mrs. MALONEY. I really believe that we should be working today on improving management, rather than pointing fingers and throwing darts at the President's wife. After all, Mr. Chairman, the name of this committee is the Government Reform and Oversight Committee.

Now, Mr. Watkins, I would like to follow up on some of the questioning of my colleagues here. Much has been made of the charge that you implicated the First Lady as the person who terminated the Travel Office employees. I want to be clear that I understand who exactly was responsible for the decision to terminate the Travel Office employees.

Is it your testimony today that you made the decision to terminate the employees after the Peat Marwick review found serious financial management problems in the Travel Office, abysmal mismanagement that they found?

Mr. WATKINS. Congresswoman, it was my decision to terminate the Travel Office employees.

Mrs. MALONEY. And then Chief of Staff, Mack McLarty, approved your decision, correct?

Mr. WATKINS. That is correct.

Mrs. MALONEY. So the First Lady did not make the decision to terminate the employees, correct?

Mr. WATKINS. The First Lady did not direct me to terminate the Travel Office employees, that's correct.

Mrs. MALONEY. And she did not direct you to fire them?

Mr. WATKINS. She did not direct me to fire them.

Mrs. MALONEY. She did not order you to fire them when you——

Mr. WATKINS. She did not order me to fire them.

Mrs. MALONEY. When you spoke with her on May 14?

Now, you told her that—that after Peat Marwick completed its review you would take appropriate action, correct?

Mr. WATKINS. I did.

Mrs. MALONEY. And she did not direct, order or command you to do otherwise, did she?

Mr. WATKINS. She did not direct, order, or command me to do otherwise. That is correct.

Mrs. MALONEY. Could you describe for us in some detail exactly what you found in the Peat Marwick management report.

Mr. WATKINS. I don't have a copy in front of me, but as Congressman Peterson reviewed some, there—there was inadequate record-keeping, petty cash discrepancies, poor—poor financial controls. Just really bad financial management, no ledgers, no general ledger, just very poor financial processes.

Mrs. MALONEY. Mr. Chairman, this hearing is an investigation in search of an issue. The White House admits to mishandling this affair, and has taken action to improve it. Can it be that we are really here just to embarrass the First Lady?

Again, I want to follow up on what Mr. Waxman stated. Why are we here? I yield back the balance of my time to Mr. Waxman. I like your line of questioning, Mr. Waxman.

Mr. WAXMAN. Thank you for yielding to me. And I think Mr. Wise had a question. But when he is through, I might have some others.

Mr. WISE. I would like to follow up on Mrs. Maloney's line of questioning about the Peat Marwick study. I'm—Mr. Peterson said that he was not a lawyer and wondered whether that was a good thing, it probably is. I'm not a CPA, but let me just read to you from observations and findings from the Peat Marwick study dated May 17, 1993.

Lack of accountability, there was a lack of Federal control consciousness, there was no formal financial reporting process, there is no documented system of checks and balances on transactions and accounting decisions within the office, lack of accounting controls and systems, there were no systems or procedures documentation. There was no general ledger or cash receipts disbursements journal, lack of contractual support. There is no formal contract with the primary domestic press charter, air carrier, inadequate billing processes, differences between estimated trip costs, which are the primary basis for billings, and actual costs incurred are not documented.

That was just a summary, Mr. Watkins. Based upon your experience as a business person, did that cause you some concern and think that action needed to be taken?

Mr. WATKINS. Yes, it did.

Mr. WISE. Thank you.

Mr. WAXMAN. If the gentleman will yield. I just want to point out we're 2 hours into this hearing and we have shown no illegality, no wrongdoing in firing the people who worked for the Travel Office. It was within the rights of the new administration to make that decision. Mr. Watkins made that decision, and he also said very clearly he was not ordered, not directed, not commanded, not in any way instructed by the First Lady to make that decision. It was his decision and he made it.

Mrs. MALONEY. Reclaiming my time, there is no evidence that anyone from the White House was involved in any way in orchestrating the criminal investigation. There is no evidence that any law has been violated. There is not even an allegation of illegal activity, as is made clear by five detailed reports conducted on this matter. Thank you, Mr. Chairman.

Mr. CLINGER. The gentlelady's time has expired.

Mrs. MALONEY. We will miss you, Mr. Chairman.

Mr. CLINGER. Thank you, Mrs. Maloney.

I would now yield to the gentleman from Massachusetts for 5 minutes. If he would yield back to me for 30 seconds.

Mr. BLUTE. I certainly would, Mr. Chairman.

Mr. CLINGER. The point has been made here that this is a very partisan exercise. I would point out that these subpoenas that have been issued in this matter have been done on a bipartisan basis with the consent of the minority. Second, the reason we're holding this hearing today, and the reason we're holding any hearings on this matter now is because we have been systematically denied access to the documents that we have only now been able to receive after having started to request them in June 1993, 2 years ago. This matter could have been over and done with a long, long time ago.

The gentleman from Massachusetts.

Mr. BLUTE. Thank you very much, Mr. Chairman. Let me join all of our colleagues on both sides of the aisle in commending you for your leadership of this committee and your long career, which has been marked with integrity and nonpartisanship and bipartisanship, and this hearing is in that tradition. The only reason we're here is to get the facts out, to get to the bottom line of what happened in the White House during this travel affair.

When I review all of the documents, some of which are conflicting in this whole affair, it reminds me of my mother saying to my brothers and sisters as we grew up, a truism, "Oh, what a tangled web we weave when first we practice to deceive."

And I don't think there is any doubt that there were efforts by some in the White House to practice deception with regard to why the Travel Office personnel were fired. It is very clear that the decision to fire them was made first and then some rationale was created second. It's very clear that one of the reasons that was true was that the Travel Office business was—needed to be steered toward a political ally of the President, Mr. Thomason, and I think we see consistently an effort to deceive the public and others on what happened with the Travel Office affair.

And beyond that, I think the recent memo that you wrote that was just revealed, not given to this committee for over 6, 7, 8

months, again shows an effort to deceive exactly what happened in this Travel Office affair. And I would disagree with my distinguished colleagues on the minority side that these aren't important issues, that these aren't serious issues, and I would commend to them the memo of Mr. Todd Stern, a former Special Assistant to the President and one of the authors of the White House Management Review.

He said:

> The problem is that if we do any kind of report and fail to address these questions, press jumps on you wanting to know answers. While if you give answers that aren't fully honest, that is in reference to Hillary Rodham Clinton, you risk hugely compounding the problem by getting caught in half truths. You run the risk of turning this into a cover-up.

Now, if that isn't a very accurate description of what has happened here, I don't know what is. And I believe that a cover-up hatched by White House officials is very serious indeed, and misleading the Congress, misleading the GAO, misleading the Office of Professional Responsibility and many other agencies that have looked into this, I think, is very serious indeed. I'd like to ask Mr. Watkins about Mr. Thomason because I think he is a somewhat mysterious figure in all of this affair. And we know his political connections to the President, his help in the campaign. But I wondered how did he become so much a part of the White House inner circle culture during this period? For example, where was Mr. Thomason's office in the White House?

Mr. WATKINS. He had an office or occupied an office in the East Wing of the White House.

Mr. BLUTE. And he was an unpaid advisor?

Mr. WATKINS. Yes.

Mr. BLUTE. And did he have staff with him that was paid for by the taxpayers or did he have volunteer staff?

Mr. WATKINS. No, he had—he brought someone, I believe, from California with him, that worked for him.

Mr. BLUTE. Was that a woman named Bobbie Ferguson? Are you aware of her, who worked with Mr. Thomason?

Mr. WATKINS. I do not recall that name.

Mr. BLUTE. Who in the White House organized Mr. Thomason's entry in the White House and got him the office and established his presence there?

Mr. WATKINS. I am sure that it came through my office. I mean the Office of Management Administration.

Mr. BLUTE. In your GAO interview you said it had been Patsy Thomasson at the behest of the First Lady's office.

Mr. WATKINS. Well, Patsy Thomasson worked in my office.

Mr. BLUTE. Was it your recollection, as the GAO interview indicated, that the request for an office for him emanated in the First Lady's office?

Mr. WATKINS. To the best of my recollection, yes, that came from the First Lady's office.

Mr. BLUTE. And did he have his own line and his own computer within the White House?

Mr. WATKINS. Own telephone line and computer? I am not aware of what kind of computer capacity he had, and I do not recall how his phone came in, no, sir.

Mr. BLUTE. Did you attend a meeting in which you were at, Mr. Thomason was at, in which it was finally decided that the auditing firm of Peat Marwick would come in and do a review of the Travel Office?

Mr. WATKINS. I attended a meeting which the firm of Peat—not the firm of Peat Marwick, but an accounting firm, be brought in, but Mr. Thomason was not there.

Mr. BLUTE. I would like to make this point about Peat Marwick. Wasn't it true that this was not an audit?

Mr. WATKINS. That is correct.

Mr. BLUTE. One of the frustrations that many people have, I think, is that many White House officials have consistently said that Peat Marwick conducted an audit of the Travel Office, but it was not an audit, that it was a very cursory review of management practices, and, as we now know, it was done after the decision was made to fire the White House travel staff. Isn't that true?

Mr. WATKINS. I would not characterize it that way, no, Congressman.

Mr. BLUTE. Would you say this was a thorough review of the Travel Office?

Mr. WATKINS. I think the reason that it was not an audit, when we were discussing initially with Peat Marwick, they didn't know what they would find, obviously. When they came in, they found few records and they determined that there were not enough records to do an audit.

As I recall, it was our request that an audit be conducted.

Mr. BLUTE. Well, in a July 8, 1993, entry in Vince Foster's Travel Office notebook, he indicates that he was—"he got a call from audit strongly disagreeing with the White House Management Review conclusion."

Does that indicate that perhaps this Peat Marwick analysis or study, which was not an audit, not a formal audit, was somehow flawed?

Mr. WATKINS. I am not aware of that phone call, Congressman.

Mr. BLUTE. Thank you, Mr. Chairman.

Mr. CLINGER. I now recognize the gentlelady from the District of Columbia, Ms. Norton, for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Chairman, may I add my own words about your excellent stewardship of this committee. At a time when this Congress has been characterized as partisan and reciprocal charges of unfairness, you will be remembered for the opposite traits and for consummate professionalism. Even now, when the hearing is looking for its own raison d'etre, it is, Mr. Chairman, being conducted with fairness, and I thank you for that.

I would like to ask Mr. Watkins whether you believed that you were proceeding speedily enough so that no one higher than yourself in the White House need have been concerned that these matters might spill over before your own actions were completed.

Mr. WATKINS. I am sorry, please repeat the question.

Ms. NORTON. Did you believe you were proceeding speedily, such that any pressure you may have been receiving from others was unnecessary?

Mr. WATKINS. There was a concern for swift and decisive action, yes.

Ms. NORTON. I am asking you if your own view of your own actions in taking care of this situation is that you were proceeding speedily enough?

Mr. WATKINS. I believe I was proceeding speedily enough; that is correct.

Ms. NORTON. Let me cite to you from your own memo of May 17. I note that that memo is dated, even though the memo that you dictated was not. In your memo you cite from the Peat Marwick investigation the following: billing to the press corps, this is your quote, from the Peat Marwick report:

Billing to the press corps is informal, undocumented, and based on personal judgments. The press is built on estimates, not on actual costs, and these estimates are made by the director in his head. If the director believes he has been overcharging on one trip, he will just undercharge on the next.

Did that make you nervous, Mr. Watkins?

Mr. WATKINS. Yes, it does. It did.

Ms. NORTON. Everyone is concerned that there was an indictment that was followed by an acquittal. Let me just say for the record that I hope we are not casting aspersions on the judge that sat, because if there was an indictment, that indictment could have been thrown out. If there was no cause to precede, you would have not needed this committee; that would have been done by the judge involved.

In light of what I just read you and in light of what you apparently saw was pressure to fire the director, do you believe you could have found another job in the Federal service for someone who had—who Peat Marwick had said was handling billing in this way?

I am asking you what was the alternative to firing the person who had, in fact, engaged in these actions.

Mr. WATKINS. I think it would have—with that, it would have been difficult probably to replace—to find another position.

Ms. NORTON. Let me read to you another excerpt from your own memo to Mr. McLarty of May 17.

Unaccounted for funds. Large checks have been written to cash for the intended purpose of tipping drivers and baggage handlers on trips. In the 17-month period studied, 17 checks were written to cash. However, in 8 of these 17 cases, Peat Marwick found discrepancies in the cash leaving the bank and the amount logged into the petty cash fund. The unaccounted for cash totaled $18,000.

What alternative do you believe you had—leave aside the First Lady; leave aside Mr. McLarty—when you found that people who reported to you were engaging in practices such as the one I have just read of?

Mr. WATKINS. As I stated before, Congresswoman, that I felt that had we not taken some action, there would have been criticism based on the finding of KPMG Peat Marwick.

Ms. NORTON. Indeed, in that same memo under a heading "follow-up actions"—and I am quoting:

Late Saturday, we briefed the FBI on these findings and began planning a new system to replace the old one. FBI agents suggested they believed there was sufficient cause for them to conduct a criminal investigation, for the SS to have Peat Marwick before the FBI would begin further work.

Was this view of FBI its own view, or was this—did this view of FBI come from others, as far as you know?

Mr. WATKINS. Well, I assume it was their conclusion, the FBI's conclusion.

Ms. NORTON. So in this case, you don't think the FBI was being misused by anyone but had an independent view that a criminal investigation was warranted based on what it found was going on in the Travel Office.

Mr. WATKINS. That is my understanding.

Ms. NORTON. And as far as you know, the FBI had not talked to the First Lady or been coached by you or Mr. McLarty or anybody else in this regard.

Mr. WATKINS. Not to my knowledge.

Ms. NORTON. Did you consider putting the employees involved on administrative leave?

Do you understand what administrative leave is?

Mr. WATKINS. Refresh my memory of administrative leave.

Ms. NORTON. When an employee of a government agency, State or local or Federal, is accused of a crime, or is accused of wrongdoing of any kind, until it is proved, that employee can't be fired. However, to safeguard the mission, the procedure that is normally used is to put that employee on leave without pay—or leave with pay.

Mr. WATKINS. Congresswoman, I think the answer to that was that we felt like it was best to, once the mismanagement was determined and the report from Peat Marwick, that many of the functions were interchangeable within the Travel Office. The seven employees did a little bit of each other's work and kind of substituted off for each other. It was the best management practice to ask them to leave immediately and be terminated all at one time.

Mr. CLINGER. The gentlelady's time has expired.

I do want to correct the record to show that the subpoena was issued to you, Mr. Watkins, and the subpoena for your documents was issued under my authority, because you are not any longer an employee of the White House. All of the other subpoenas that were issued to other members in the White House and for document production were issued on a bipartisan basis.

I now recognize the gentleman from——

Mr. KANJORSKI. Mr. Chairman, if I may ask, just so the record is very clear, there has been some indication that this hearing today was held as a result of a subpoena that was issued in a bipartisan fashion. Am I understanding from your statement that that is not correct, the minority did not agree with the majority on this date or time or this particular witness at this time to appear, and it was solely done under your discretion under the rules as chairman of the committee?

Mr. CLINGER. It is correct that I issued the subpoena to Mr. Watkins, based on the fact that he had indicated really an unwillingness to appear voluntarily.

Mr. KANJORSKI. So today's choice of date and the issue of subpoena was made by the majority of this committee. Is that correct?

Mr. WATKINS. May I speak, please? I do not think that is correct. I don't think I ever rejected a request to appear.

Mr. CLINGER. Well, we do have a letter from the lawyer, from your previous attorney, I think, indicating——

Mr. WATKINS. I think that was for an interview, Mr. Chairman, not to testify before the committee.

Mr. CLINGER. All right.

I would now recognize the gentleman from Virginia, Mr. Davis. Could I ask you to yield to me for a moment?

Mr. DAVIS. I would be happy to yield to my chairman for as much time as you need.

Mr. CLINGER. Putting things in perspective, you talked about $69,000 of possible problems in the Management Review. I would like to just put that in some sort of context.

In 1995, the General Accounting Office did a number of reviews for which they issued a series of reports which they called a high-risk list. This high-risk list identifies mismanagement in the executive branch, a potential saving of $1.25 trillion in revenues, hundreds of billions of dollars of expenditures at risk, and I just wanted to point out that I haven't seen the same eagerness to pursue massive amounts of potential problems here, as we have seen with the Travel Office. I would just put that in context.

I now yield back.

Mr. DAVIS. Thank you, Mr. Chairman.

Let me just join the accolades from members of both sides, in fact, that you are going to be missed. I will put a further statement in the record.

I want to get right to my point. Mr. Watkins, I would like to turn to your 302 statement from the FBI, if I could. It is in front of you.

On page 3 of your statement, you said in early April Mr. Thomason stated Darnell Martens, his partner in TRM, had unsuccessfully attempted to solicit business with the White House Travel Office through Dale.

In other words—I just want to understand—Mr. Thomason and Mr. Dale were trying to get White House business. I mean Mr. Thomason was trying to get business for his company. Is that a fair reading of that?

Mr. WATKINS. Where are you, sir?

Mr. DAVIS. Page 3 of your 302 statement.

Mr. WATKINS. Where in page 3?

Mr. DAVIS. It is right at the top. It says Thomason stated during the conversation between Watkins and Thomason in early April—Thomason stated—Darnell Martens, a partner, had unsuccessfully attempted to solicit business with the White House Travel Office through Dale.

Mr. WATKINS. That is my understanding.

Mr. DAVIS. Thomason further stated he had heard from others in the air charter business. Dale was not interested in accepting new business.

Now, just to translate that and make sure, Mr. Thomason and Mr. Martens were trying to get White House business for their company. Is that a fair reading of that?

Mr. WATKINS. It is my understanding that Mr. Martens inquired of the White House Travel Office about charter business for his company, yes.

Mr. DAVIS. Well, they were trying to get White House business for their company; isn't that correct?

Mr. WATKINS. White House travel business.

Mr. DAVIS. At that time Mr. Thomason told you that many people in the industry knew individuals in the White House Travel Office had been on the take for years.

Mr. WATKINS. That is as I recall that, yes.

Mr. DAVIS. I am not trying to——

Mr. WATKINS. I don't know the specific words.

Mr. DAVIS. Exactly, I am not trying to do a——

Mr. WATKINS. In context, yes.

Mr. DAVIS. Did he supply any documents? Did he tell you who he was talking to in the industry? Did this perk you up as somebody who had oversight on that, gee, people on the take; who are they?

This was early in the process. How did you react on that, and were there any supporting documents given to you?

Mr. WATKINS. No, and, as I recall, my reaction was again to—I informed him that Ms. Cornelius was working in the White House Travel Office and that she was making a report to me on May 15, and if there was any—you know, any kind of indication of that in her report, then I would acknowledge it. It did not—it was not on the front burner of my head.

Mr. DAVIS. Now, Catherine Cornelius says that you were reading from a binder when you relayed to her information that "these guys are crooks," and that she learned it was information from Harry Thomason. Did Harry Thomason give you any information?

Mr. WATKINS. I don't recall.

Mr. DAVIS. Independently?

Mr. WATKINS. I don't recall any, no.

Mr. DAVIS. OK. Did Mr. Thomason ever give you any briefing papers or background information on these allegations?

Mr. WATKINS. No, sir.

Mr. DAVIS. In your statement to Public Integrity, you said in April that Thomason said that individuals working in the Travel Office should be fired, and that the result would be good news stories. What was the basis for his saying they should be fired; do you remember?

Mr. WATKINS. Well, I think it referred to the rumor that you were talking about, that they had been on the take for years and there was financial mismanagement.

Mr. DAVIS. OK. But in fact, you received a memo from the President at one point telling you to help Harry Thomason with government contracts or saying something, that these guys are sharp?

Mr. WATKINS. I don't think the memo was directed to me. As I recall it, I don't have a copy. I think that——

Mr. DAVIS. Mr. McLarty, maybe.

Mr. WATKINS. I think so.

Mr. DAVIS. Do you remember seeing it?

Mr. WATKINS. I may have seen a copy, but I didn't take any action on it, and it was not directed to me.

Mr. DAVIS. OK. Our copy for the record shows it was from Mack, Mark and Watkins is where it was directed to, but I can understand——

Mr. WATKINS. I did not take any action on that. As I said, I do recall, I think, seeing a memo, but there was no action taken on my part.

Mr. DAVIS. You said on May 12 that Thomason told you he had seen Hillary Clinton in the hallway and said that she had discussed the situation and said that individuals in the Travel Office should be fired. Did you think Mr. Thomason was lying to you?

Mr. WATKINS. I did not think he was lying, no.

Mr. DAVIS. OK. Thank you very much. Do you think Mr. Thomason was making up something that the First Lady said?

Mr. WATKINS. I can't conclude what Mr. Thomason was saying. You know, Mr. Thomason may have—those may not have been the First Lady's exact words; and he may have felt a sense of urgency to act, and he may have said to fire them. I don't know.

Mr. DAVIS. The First Lady had said she didn't say anything to you directly about firing the Travel Office employees. But did the First Lady always communicate with you directly or did she sometimes work through her Chief of Staff or counsel's office?

Mr. WATKINS. I spoke to the First Lady, not on a frequent basis, but on the issue of the Travel Office, I only spoke to the First Lady one time.

Mr. DAVIS. I have a document dated—your notes dated June 2, 1993, and you say, Harry says—this is Hillary's telephone conversation with D. Watkins on Friday, May 14. It says, Harry says his people can do things better, save money, et cetera; and besides, we need those people out, we need our people in, we need the slots.

What did that—what were you indicating there?

Mr. WATKINS. As I indicated previously, I had spoken with the First Lady on one occasion about the firing—about the Travel Office matter. That date was May 14.

Mr. DAVIS. That was a direct communication; was it not?

Mr. WATKINS. A direct communication; that is correct.

Mr. DAVIS. And although she didn't have the legal ability to order you to do anything or direct you to do anything, she could certainly suggest; could she not?

Mr. WATKINS. Yes.

Mr. CLINGER. The gentleman's time has expired.

Mr. DAVIS. Thank you very much.

Mr. CLINGER. The gentleman from Pennsylvania, Mr. Fox.

Mr. FOX. Thank you, Mr. Chairman. I want to join with my colleagues in also congratulating you on your outstanding service in Congress and the hope that you will reconsider. I would ask a few questions, if I can, of the witness.

In regard to the missing White House documents, in your Public Integrity statement, the 302, you say that you were unaware how the records in petty cash were secured while you were there, but that it had been the responsibility of Patsy Thomasson.

Did you learn what Patsy Thomasson did with the petty cash logs?

Mr. WATKINS. I don't recall.

Mr. FOX. Were you aware that some documents were put in the military office safe?

Mr. WATKINS. As I recall, that was the determined to be—by people doing an investigation that that was a good place for them to be, because it was a safe.

Mr. FOX. Did you know what those documents were?

Mr. WATKINS. I don't recall any knowledge of that, no.

Mr. FOX. In light of the unaccounted-for cash, didn't you think the petty cash logs were important?

Should I repeat that?

Mr. WATKINS. Please.

Mr. FOX. In light of the unaccounted-for cash, didn't you think that the petty cash logs were important?

Mr. WATKINS. Yes.

Mr. FOX. Were you aware that Lee Johnson of the White House Records Management Office was concerned with how the Travel Office records were cleared out after the firings?

Mr. WATKINS. I don't recall any comments from Mr. Johnson, no.

Mr. FOX. What securing measures did you put in place?

Mr. WATKINS. We had the security officer for the White House, Mr. Livingstone, and Mr. Foucart would work out an arrangement of how to secure the office.

Mr. FOX. What role did Craig Livingstone play during the firing?

Mr. WATKINS. He played no role during the firings. I think he secured the office afterwards.

Mr. FOX. Were you familiar with his previous job, his previous employment?

Mr. WATKINS. I am not, no, not to my recollection.

Mr. FOX. Were you familiar that he was a bouncer at a Georgetown bar?

Mr. WATKINS. No, I was not aware of that.

Mr. FOX. Did you know he was meeting with Harry Thomason and Susan Thomases?

Mr. WATKINS. Pardon me?

Mr. FOX. Did you know Craig Livingstone was meeting with Harry Thomason and Susan Thomases?

Mr. WATKINS. I did not know that.

Mr. FOX. In your GAO interview, you said that you didn't know what happened to the documents that Ms. Cornelius took with her from the Travel Office. Weren't you at all concerned with the integrity of the records, or didn't you know about record requirements at the White House, talking about Ms. Cornelius?

Mr. WATKINS. I am not sure I understand the question.

Mr. FOX. It is on page 8 in your White House statement.

Mr. WATKINS. GAO?

Mr. FOX. It is on page 8 of the December—the GAO statement, page 8.

In your interview with them, you said you didn't know what happened to the documents that Ms. Cornelius took home with her from the Travel Office. Weren't you at all concerned with the integrity of the records, or didn't you know about the records requirements?

Mr. WATKINS. Ms. Cornelius brought back the records that she took home and gave them to the Counsel's office.

Mr. FOX. Were you concerned with them being taken at all; I mean, the fact that they should not have been taken?

Mr. WATKINS. I didn't know that they were taken.

Mr. FOX. You said Patsy Thomasson would have had the petty cash logs. Do you know what happened to them?

Mr. WATKINS. Again, that was all worked out with Peat Marwick and the FBI.

Mr. FOX. The GAO review began in July 1993. Can you explain why it took so long for you to have your interview?

Mr. WATKINS. I have no idea.

Mr. FOX. Were there discussions with Counsel's office prior to that?

Mr. WATKINS. For me?

Mr. FOX. Yes.

Mr. WATKINS. I don't recall specific discussions by me.

Mr. FOX. Whom did you speak with in preparing for this interview?

Mr. WATKINS. My counsel.

Mr. FOX. I mean the GAO interview.

Mr. WATKINS. My counsel.

Mr. FOX. Why was Neil Eggleston present in addition to your own lawyer?

Mr. WATKINS. As I recall, I think I was advised that he was present at all White House staff members' interviews. It was conducted in his office.

Mr. FOX. Did you have any choice in this matter?

Mr. WATKINS. It was not even a condition to discuss. It didn't bother me where it was.

Mr. FOX. Do you know if he reported back to McLarty?

Mr. WATKINS. If he reported to McLarty, I have no idea.

Mr. FOX. In this interview, you said, until mid-May you didn't exercise oversight over the Travel Office. Who did, if you did not?

Mr. WATKINS. Until when?

Mr. FOX. Mid-May.

Mr. WATKINS. Yes, yes, yes.

Mr. FOX. Who did exercise oversight?

Mr. WATKINS. Well, it was my responsibility for overall oversight. There was a time in the beginning of the administration that the priority of a lot of other things was greater than the Travel Office. It appeared there were no complaints specifically from the press about that operation and how it was run, and it was just not on my immediate agenda. It was something we were going to get to in the normal course of review of various White House operations and the offices that were beneath me.

Mr. FOX. You said it wasn't a high priority prior to May 1993. What made it a high priority?

Mr. WATKINS. A lot of the interest in, as I said earlier, the irony of the objective of a good press story.

Mr. FOX. Wasn't it the First Lady and Harry Thomason that made it a high priority?

Mr. WATKINS. The high priority was the initiation by many that there was a potential good press story; and Harry Thomason was involved, yes.

Mr. FOX. You didn't fire seven people to have a good press story, did you?

Mr. WATKINS. That was one of the objectives, as I stated, Congressman.

Mr. FOX. But obviously the First Lady had some influence here, did she not?

Mr. WATKINS. There was also the Peat Marwick report which found financial mismanagement.

Mr. FOX. It wasn't done at this time though, was it?

Mr. WATKINS. It was done on Friday. It was done before the firings, Friday through Sunday.

Mr. FOX. It wasn't the high priority of the First Lady, but Mr. Thomason?

Mr. WATKINS. Mr. Thomason had an interest in making a very positive press story. Mr. Thomason indicated that he had talked to the First Lady.

Mr. CLINGER. The gentleman's time has expired.

The gentleman from New Jersey, Mr. Martini, is recognized.

Mr. MARTINI. Thank you, Mr. Chairman.

Mr. SCHIFF. I wonder if the gentleman would be kind enough to yield for 30 seconds.

Mr. MARTINI. I would be happy to yield to my colleague.

Mr. SCHIFF. I wanted to ask one follow-up question.

One of my colleagues was asking you about your June 2 handwritten memorandum. You said that you had one personal conversation with Mrs. Clinton; is that correct?

Mr. WATKINS. That is correct.

Mr. SCHIFF. There is a note about that conversation that says, Hillary, referring to the First Lady, telephone conversation with David Watkins—yourself, of course—on Friday, May 14, and it says—the entry says; it is a quote—"Harry says his people can do these things better, save money, et cetera, and besides, we need those people out, we need our people in, we need the slots."

My question is this. On those lines, we need those people out, we need our people in, we need the slots, are those your words to Mrs. Clinton, or are those Mrs. Clinton's words to you?

Mr. WATKINS. These are notes that I made 2 weeks or so after my conversation with Mrs. Clinton. I can't say that they are the precise words. These are my thoughts and recollections of our—of the conversation from Mrs. Clinton to me.

Mr. SCHIFF. From Mrs. Clinton to you?

Mr. WATKINS. That is correct.

Mr. SCHIFF. Thank you. I yield back.

Mr. MARTINI. Thank you very much.

Mr. Chairman, may I also add my best wishes to you. I have more extensive remarks in my formal statement which I would like to put into the record formally.

[The prepared statement of Hon. William J. Martini follows:]

PREPARED STATEMENT OF HON. WILLIAM J. MARTINI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

I want to join in commending Chairman Clinger for holding this important hearing today.

Before I begin, I would like to take a minute to recognize our Chairman. Earlier this week, I learned, with great personal regret that Chairman Clinger will be retiring at the end of this term.

As a new member of Congress, I have only had the privilege of serving with Chairman Clinger for one of his 18 years of service here on Capitol Hill.

Chairman Clingers' tireless work on behalf of this Committee and his reputation for fairness will be sorely missed by this Member of Congress.

I wish the Chairman well in his future endeavors and conclude by saying that it has been a pleasure and an honor to serve on this Committee under your leadership.

Mr. Chairman, during the 103rd Congress, the Republican Leadership repeatedly called for a Congressional inquiry into the White House Travel Office matter.

Many argued that this was a clear case of partisan gamesmanship even though the Washington Post, the New York Times, and the Wall Street Journal had all run editorials demanding Congressional Hearings.

Mr. Chairman, hearings like this one today will finally allow the Congress and the American people to better examine the actions and events surrounding the White House Travel Office incident.

In previous statements, the White House has continually asserted that the First Lady, Hillary Rodham Clinton, did not play a significant role in this matter.

However, after nearly two and half years and countless document requests by Chairman Clinger, the White House finally provided the Government Reform and Oversight Committee with a memorandum by former White House aide David Watkins which clearly demonstrates the First Lady's involvement in the White House Travel Office firings of May 19, 1993.

As a new Member of Congress, I am very troubled that the White House would deliberately mislead this Committee and the American people about the role of the First Lady and other high level White House officials.

In my opinion, the Watkins memorandum has placed a cloud of suspicion over the Administration.

Only public hearings will allow us to get to the bottom of this incident and restore the peoples faith in their President and the Federal Government.

Mr. Chairman, I am attending today's hearing with an open mind and without any predetermined views on the events surrounding the White House Travel Office incident.

I believe it is critical that this Committee should closely examine that facts and review all the evidence before reaching any conclusions of misconduct or criminality in this matter.

However, I will say that on the surface, the Watkins memorandum seems to confirm many of the suspicions and questions that have been raised over the past two and half years.

Former White House Aide David Watkins, has given three different accounts of the events surrounding this incident. This committee needs to know which account is the truth!

If in fact the memorandum in question is accurate, it would seem to indicate that a calculated effort was undertaken by high level officials at the White House to knowingly mislead and withhold information from the FBI and the GAO investigations of the White House Travel Office.

Over the next few weeks, this Committee is going to try and answer this question.

I believe that these hearings should be carried out in a fair and non-partisan manner. The White House should have every opportunity to respond to these new allegations.

I am hopeful that we will be able to finally resolve this matter in the coming weeks so that we may focus this Committee's attention on critical issues of the day such as balancing the budget and reforming welfare.

Today's testimony by Mr. Watkin's should provide the Committee with some much needed answers to the questions surrounding the White House Travel Office affair.

Mr. MARTINI. But in the interest of getting on with the subject matter, I too was one of the members of this panel today who came here with some casual impressions up until the last few days, to be quite candid with you. My interest was significantly piqued once I saw your memorandum and your notes; and then it was piqued further in view of yesterday's responses in the press by our First Lady, which once again suggest that perhaps you misunderstood some of the nature of the conversations that you had—or the conversation that you had with her.

And then even today, further, you have said in your memo, Mr. Watkins, your desire back then when you wrote this memo was to do some soul-searching, put the record straight, and to once and for

all get rid of the protective vagueness that you have; and yet today we see that the media was here and the American people, who could have heard your full testimony, at your request are not here today.

The issue is not whether or not the White House had the right to terminate. None of us, frankly, dispute that. But the issue is whether or not in that right to terminate they have the right to unjustly malign and exaggerate the circumstances under which people are terminated; and I take that very seriously.

I think frankly when we try to find out why this occurred, we have the right to terminate people with cause, and you have to right to terminate them without cause; and I think in this situation, had you terminated these people without cause, there was the fear of backlash in the press of political patronage. So an option, I think, from hearing now more of your testimony, reading your memos, I believe that the option was to find some cause on which to base this decision.

But let me just say, in my prior life before coming to Congress, having been a litigator, I found how difficult it was in courts to find the search for the truth. I am finding out here that the search for the truth in Congress is maybe even more difficult. Yet in this instance, quite frankly, as we have heard a line of questioning, the plain reading of this memo which I spent many, many hours on, reading it again and again, because when I got this Monday night for the first time and your notes, and you read your comments in there, there is absolutely little question in my mind.

And I think in the ordinary American's mind, who can read, that the clear impression and the clear indication from your very words in trying to set this record straight is that the directive was from the First Lady to make this decision. Yet, I am troubled by a comment or testimony you made just moments ago, which I think, quite frankly, is an effort now to go back to your protective vagueness stage, when you said, she did not direct, order or command me to fire them, I think. Did you testify to that?

Mr. WATKINS. Yes, I did, and I still do.

Mr. MARTINI. Well, I would suggest you reflect on that again in view of this memorandum and your notes, because if you start to look at your very words, when you say things like "would be hell to pay," these are your quotes, intense pressures, direction of the First Family is in your conclusion, the very words, direction of the First Family was in your conclusion in that memorandum, and pressures for actions were irresistible, and if you like I could pick out even three or more references of your own words, which certainly doesn't suggest that this was a casual decision on which you had much discretion. It clearly implies in the plain reading of this memorandum that you had in your mind little option but to do the action of terminating these people.

We could sit here all day and pick apart the lines of this memorandum, but I think in fairness to the American people as to why we are here, it seems to me that there is an inordinate attempt by yourself and the First Lady now you are trying to take full credit for the decision to fire these people.

Mr. WATKINS. May I respond?

Mr. MARTINI. Well, I am going to ask you a question. These are my opening remarks. But I think it is important, because we could spend hours on this line-by-line, but the American people probably want some response as to what is going on here. It doesn't take much by anyone reading this as to what really is going on.

You wrote a memo saying you wanted to soul-search and you wanted to avoid vagueness and protectiveness, and yet you come in here and you testify moments ago that the First Lady did not direct, order, or command me to fire them. Yet if you read your memo, the one that you were trying to do the soul-searching in setting the record straight, it is directly opposite from what you have just testified to, in my opinion.

So I am deeply troubled. I didn't come here with this attitude, but frankly, having listened to you, having read your notes and having seen this memorandum and seeing the words you chose to use in the memorandum, I am troubled, and I hope I will have another opportunity to ask some specific questions, because I don't think they are that necessary, but I will ask them.

Mr. CLINGER. The gentleman's time has expired, but I do want to give Mr. Watkins a chance to respond to that.

Mr. WATKINS. Yes, Mr. Chairman. My response is that I have served in the military, and my response would be, it is in the chain of command. I was—in the chain of command, it is the President and the First Lady, then Mack McLarty, and then me, and it was my—I am accountable, I am responsible for the firings of the White House Travel Office people. That is what I mean, that they did not direct me to fire them. Was there pressure? Did I feel pressure of the desires and wishes of others? Yes, I did.

Mr. CLINGER. The gentleman's time has expired. I would now recognize the gentleman from New Hampshire, Mr. Bass, for 5 minutes.

Mr. BASS. Thank you very much, Mr. Chairman. I would be remiss and perhaps in trouble if I didn't join all the rest of my colleagues in wishing you well, and making it very brief, tell you a little bit about a fellow who held the seat I held by the name of Norris Cotton. After he announced his retirement after many years in the Senate, everybody congratulated him, and in a later testimonial he scratched his head and he said, "My goodness, if all of these people had liked me before I announced my retirement, I would have won unanimously."

I certainly have appreciated the manner in which you have run this committee. It has been an honor to work with you, and I look forward to working with you for the rest of 1996.

Mr. Watkins, I am going to ask one question that some may consider to be—may not be on subject here, but I noticed in your 6–16–93 memo, I noticed all sorts of references to New Hampshire; three, to be specific. One: No contribution to campaign, New Hampshire trip on May 22nd. Another reference on 5–22. What was the context of this memo, the 6–2–93 memo and your comments with respect to a trip to New Hampshire, political involvement, in a folder? Do you have that memo?

Mr. WATKINS. I am looking for it, Congressman. I think they gave me everything.

Mr. BASS. Do you want me to give you my copy?

Mr. WATKINS. 6–2, did you say?

Mr. BASS. 6–1 and 6–2.

Mr. WATKINS. 6–1. That has—the first word is "Penny Sample"?

Mr. BASS. That is affirmative.

Mr. WATKINS. Yes, I have that.

Mr. BASS. What is the overall context of this memo? Is it a chronology? And the second question is, what is the references here to this trip that was being taken: Account was frozen, no contribution to the campaign, so on and so forth?

Mr. WATKINS. My recollection will be vague, but it has to do with Penny Sample, who was brought in as a volunteer for 2 or 3 weeks to coordinate charter travel, and it had reference to Air Advantage, that was the name of her company. Again, I did not recall any of the details.

There was something about Miss Sample, while she was here as a volunteer, had placed this charter through her company because the White House had no contact with them, hadn't dealt with them previously, but she did not earn a commission. There was no commission on that, and that is about all I recall on it.

Mr. BASS. Mr. Watkins, when you read or heard that Mrs. Clinton had originally said to the GAO and others that she "had no role in the firings," what did you—what was your immediate response to that? What went through your mind? What would you have said had we discussed that? I just want to know what you thought.

Mr. WATKINS. I guess my actual thought is I have tried to put this Travel Office thing behind me and get on with my life for 2 years now, or 18 months. I don't recall any specific thought about that.

Mr. BASS. Returning to the memo of—not returning, but discussing the memo of May 14, 1993, you actually outlined some rather interesting points here, and I was wondering if you could address two of them that you make in the memo. On page 2 you say, "why the rush?"

I would just like to ask you, why the rush? Well, let's begin by just saying this: What is the context of this memo?

Mr. WATKINS. I think that these are notes to myself, probably on an airplane. This is the day that Peat Marwick is coming in to do the review, either on an airplane, or when I am in Little Rock.

Mr. BASS. So you were asking yourself, how am I going to respond to questions?

Mr. WATKINS. Well, just overall. This is going on and—yes, just thoughts that I was thinking. I was putting my thoughts on paper.

Mr. BASS. Well, why was the rush? Why do you think there was such a rush here?

Mr. WATKINS. As I have stated, one of the primary objectives was that we could have a positive press story by finding wrongdoing in the White House Travel Office, and that we would come in and point that out and clean it out.

Mr. BASS. I see.

Mr. WATKINS. We had been through a period of several weeks; Mrs. Clinton's health care operation had been delayed. We had not had any positive press for some time, and that was one of the objectives.

Mr. BASS. Last, on the last page of that memo, the last point says, FBI would not ordinarily get in, but. Can you give us some——

Mr. WATKINS. I think I answered that previously. What, as I recall, what I meant by that is that this was the type of—we didn't know who would do this, who would normally do the kind of investigation when we discovered that the allegations of financial wrongdoings and things, the allegations that Harry Thomason was talking about, where did we go to get the investigations? And I think I was told the FBI normally doesn't do this type of thing, but no one knew where else to go, and so they were asked how to proceed, and they said they felt there was enough indication of wrongdoing that they would come in and investigate.

Mr. BASS. Thank you very much, Mr. Chairman.

Mr. CLINGER. Now I yield to the gentleman from Ohio, Mr. LaTourette, for 5 minutes.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Mr. CLINGER. Let me announce that we will be recessing at the conclusion of this round for 40 minutes.

Mr. LATOURETTE. Just a brief observation, Mr. Chairman, to echo all of my other colleagues, upon meeting the chairman, my wife of 13 years said she thought that Chairman Clinger would make a good grandfather for her children. I don't know whether she was seeking to replace my father or her father, so you are certainly held in high regard.

Speaking of my wife, I didn't have the courage to do what Mr. Kanjorski did, and that is come through the Pennsylvania Turnpike from Ohio. I flew back, and my wife asked me, why are you going back? Some of the comments I heard from the other side, I don't think it would surprise her at all to come back and do something dumb in Washington because she thinks there are a lot of things dumb in Washington. But it could come as a surprise to her that we are wasting our time in a hearing.

The reason I bring that up, Mr. Watkins, your memo that sort of came to us like dentists going into a barnyard to extract teeth out of a chicken caused some concern, and the concern was, we had a version given to the GAO by the First Lady, the plain words going back to my colleague, Mr. Martini's observations, the plain words of your memorandum seem to put those at odds, and as a result, I don't happen to be a Republican who delights in the degrading of the First Lady's reputation, but we now have the President threatening to punch people in the nose. We have editorials castigating the First Lady's reputation, and I want to join my colleagues in regretting the decision that you made through counsel, and I am a lawyer and I understand legal advice, but Rule III of the House rules, the purpose of Rule No. III that we have in this House, and the reason that we provide for broadcast of these hearings is for the education, enlightenment, and information of the general public. You are certainly within your rights to indicate that you don't want this hearing broadcast for the education, enlightenment, or information of the general public, but it is that kind of news blackout that is going to exist that will continue these questions I think needlessly.

Again, although I don't share the same political philosophy as the current residents of the White House, I do respect the institution and I respect the institution of the First Lady, and I think it is important that especially children in this country are able to look up to the First Lady, and it is unfortunate when her character and integrity are called into question, and I was hoping that this hearing could resolve some of that, but apparently we are not going to get there from here.

I do want to—my curiosity has the best of me—ask, are you here because you were invited to be here and you wanted to be here, or have you been subpoenaed to appear, and are you only here subject to the subpoena issued by the Chair of this committee?

Mr. WATKINS. I am not sure I know the answer to that. Perhaps my counsel does. I can say that to my knowledge, I was not subpoenaed until—I mean I was subpoenaed, I was invited to be interviewed, and had I been asked—there was some confusion about attorneys. My one attorney had a conflict that he had with independent counsel, and then the second attorney had a conflict—that I have used in this—had a conflict with the independent counsel. I got my current attorney late in the day on Friday a couple of weeks ago when Ms. Bracher calls and gives her—tries to find out where to serve the subpoena. That is all I knew about a subpoena, the first time I knew about a subpoena.

Mr. LATOURETTE. The reason I asked the question is the rule that you have invoked only applies to people who appear before the committee by a subpoena, and if you are not here by subpoena, then the rule doesn't apply to you, and I would ask the chairman to revisit his thinking. But maybe we will talk to your lawyer. I notice you are represented by a fellow named Ty Cobb, and he is off doing a movie and that is why you probably got a new lawyer.

I wanted to finish up where Mr. Martini ended and where you indicated that you had been in the military, that there was a chain of command in the White House and it was interesting that the chain of command didn't quite follow the Constitution of the United States. You said the President and the First Lady and then Mack McLarty, but that the decision was yours and as a good soldier you said you made the decision. And I commend you for being a stand-up guy and saying that. But you ended with the comment, did I feel the pressure and desire of others; of course I did. From what source did you feel the pressure and desire of others that the White House Travel Office officials should be terminated?

Mr. WATKINS. I had heard from others, Harry Thomason and Vince Foster in particular, comments that the White House Travel Office employees should be terminated.

Mr. LATOURETTE. Is that the extent, is that the—Mr. Thomason and who else? I am sorry.

Mr. WATKINS. Mr. Thomason and Mr. Foster, Vince Foster.

Mr. LATOURETTE. Did you feel pressure or the desire of anyone within the White House that was being exerted on you suddenly or not so suddenly that there was a desire that these people should be fired?

Mr. WATKINS. I felt that there was great pressure to take some decisive action, and reference from Mr. Thomason and Mr. Foster was that they should be fired.

Mr. LATOURETTE. OK. And are they the only two individuals that exerted or made their feelings known to you?

Mr. WATKINS. I think Mr. McLarty, as I stated in my memo, felt relieved when I reported to him on Monday, May 17th, that I had made a decision, as a result of the Peat Marwick findings, to terminate the Travel Office employees.

Mr. LATOURETTE. Let me ask you this as directly as I can so that we can free the First Lady. Did you feel any pressure from First Lady Hillary Clinton, the First Lady of the United States? Did she express to you her desire, her pleasure, or did she apply any pressure?

Mr. WATKINS. I feel that in my conversation, my one and only conversation with the First Lady, it was very cordial, businesslike, very much a review of what it was after the first day of the Peat Marwick investigation or review, and I reported to her very—just findings of Peat Marwick. She understood them, indicated to me that Harry had said we could save money, we needed our people in, and those people out, we needed the slots.

Mr. CLINGER. The gentleman's time has expired.

Mr. LATOURETTE. Could I beg the committee's indulgence and ask unanimous consent to just get an answer to the question that I asked?

Mr. CLINGER. The question you asked was?

Mr. LATOURETTE. Did he feel any pressure from the First Lady to reach the conclusion?

Mr. WATKINS. I think the answer, on that conversation, Congressman LaTourette, is I did not feel any pressure from the First Lady.

Mr. LATOURETTE. Thank you.

Mr. WATKINS. During our conversation, my conversation with the First Lady.

Mr. LATOURETTE. Thank you very much.

Mr. CLINGER. The gentleman's time has expired, and since we seem to have run out of people to commend me on my chairmanship, we will take a recess for 40 minutes.

[Whereupon, at 1:45 p.m., the committee recessed, to be reconvened at 2:25 p.m., this same day.]

Mr. CLINGER. The committee will resume sitting, and we will commence a second round of questioning, Mr. Watkins.

Just to lead off, you have been a friend of the First Family for some time, I believe. Is that correct?

Mr. WATKINS. That's correct. That's correct, sir.

Mr. CLINGER. You were, I think, born in the same town, Hope, Arkansas, as the President and known him since childhood?

Mr. WATKINS. Yes, I knew who he was. He moved from Hope, Arkansas shortly—I mean when he was about 4 or 5 years old.

Mr. CLINGER. And how long have you known the First Lady?

Mr. WATKINS. Met the First Lady sometime in the late seventy—mid to late 1970's.

Mr. CLINGER. And so you had a friendship——

Mr. WATKINS. Yes, I have.

Mr. CLINGER [continuing]. And associated with the President and First Lady for a long period of time?

Mr. WATKINS. Yes, sir.

Mr. CLINGER. There has been some suggestion here by the First Lady and others, actually, that the—her comments could have been misconstrued, her suggestions were really in no way intended to mean anything other than expressing her concern.

But it would seem to me that, given your long connection with the First Lady, long association and knowing her as well as you did, it would have been very hard for you to have misconstrued or misunderstood her intent. Is that—would that be a fair statement?

Mr. WATKINS. Mr. Chairman, I think a fair statement is that I have known the First Lady for a long time, and from the comments to me from others, I obviously believed that she was interested in what was happening in the Travel Office.

Mr. CLINGER. Do you know her as being a person of a pretty strong will? I mean she has very strong opinions?

Mr. WATKINS. Yes, sir.

Mr. CLINGER. Really is not hesitant to express these opinions?

Mr. WATKINS. That's correct.

Mr. CLINGER. And so that was—in other words, I can see where somebody who might not have known the First Lady might have been in a position to misconstrue or misunderstand or give them a greater weight than you, but I think given your association, you could pretty well interpret what was intended here.

I guess the question I would have is, in your memo you indicate that there would be—hell would have to be paid if these people weren't fired.

And I think in a further—in the conclusion of your memo, you indicated—of the undated memo of September 1993, you said:

> I think all this makes clear the Travel Office incident was driven by pressures for action originating outside my office. If I thought I could have resisted those pressures, undertaken more considered action, and remained in the White House, I certainly would have done so.

I gather, Mr. Watkins, that you were concerned that if this action was not taken, that you would not likely be able to retain your position in the White House. Is that——

Mr. WATKINS. I think——

Mr. CLINGER. Is that your view?

Mr. WATKINS. I think my conclusion was, I felt intense pressure to act very forcefully and directly.

Mr. CLINGER. So that doesn't really—I mean could you—do you think you could have kept your job if the action that was being suggested was not taken? Because you did indicate in that memo that you really were concerned that you would not be able to remain in the White House if that action was not taken.

Mr. WATKINS. I think any time that you're in a position in the chain of command and you don't do something that you believe those above you desire, you have hell to pay.

Mr. CLINGER. So this—what I'm getting at is, it seems to me that we are getting into a very subtle sort of semantic argument about the decision, about who made the decision. I mean you did make the decision; I mean you were the one to do it.

Mr. WATKINS. I did make the decision.

Mr. CLINGER. But in fact there was enormous pressure on you, even to the point of being concerned about being able to retain your

job if you hadn't made that decision. I mean there was a lot of influence—a lot of——

Mr. WATKINS. I felt there was a lot of internal pressure on me, yes, sir.

Mr. CLINGER. All right. That is what I wanted to get at. So the suggestion in the memo was that there were those above you and those above you, who would you—who would you—I mean obviously——

Mr. WATKINS. Characterize above me? The President, First Lady, and Mack McLarty.

Mr. CLINGER. OK. You have indicated and, I think the White House review suggested, there was gross mismanagement in the operation of the Travel Office. That is not what Peat Marwick indicated though, was it? I mean didn't the Peat Marwick review indicate there were some irregularities, sloppy bookkeeping? But I don't believe they characterized that was gross mismanagement.

Mr. WATKINS. I don't have that document in front of me, Mr. Chairman. It was lengthy. They found a lot of financial irregularities. I don't know if that phraseology was precisely as you stated.

Mr. CLINGER. OK. But it is true, is it not, as you have indicated previously, that—I would only ask you this. Were you involved in any discussions prior to May about the Travel Office and about the interest in seeing that the Travel Office be turned over and that your own people, that is the administration, would have an opportunity to do that?

Your memo seems to suggest that there was a process under way, a routine review of the administration on many parts of the Government, and that you were—of the White House, and that you were involved in a sort of orderly review. And your memo does suggest that you had concern about the precipitous nature of the suggestion to be fired.

Mr. WATKINS. There was—as I've stated, Mr. Chairman, there was a planned review for the White House Travel Office as well as reviews of the operations of other offices within the White House that was under my purview. A lot of that was to analyze—I had three or four members of my staff that went into these offices, did interviews, took notes. That was the process, and a lot of it was in light of the President's 25 percent staff reduction, and then a lot of it was in just what is the best and how can we make these offices more efficient.

Mr. CLINGER. But there was a time that this was undertaken, and I think there is evidence that there were discussions about the Travel Office in January and February of the initial thing. At the time of those discussions, it was just going to be part of an ongoing review of all the things; there was no suggestion at that point of mismanagement or irregularities?

Mr. WATKINS. Not that I was aware of, no, sir.

Mr. CLINGER. OK, thank you.

Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

Mr. Watkins, let's just review where things stand. There was no illegality in firing these people who worked at the Press Office. There was no wrongdoing in firing these people who worked at the Press Office. You have testified that you were not ordered by the

First Lady to fire the people that worked at the Press Office. So what is this issue and this hearing all about?

My Republican colleagues have said, well, what this is, is an issue of credibility and integrity. And we are looking at the credibility and integrity of firing these people at the Press Office, for whom there was an independent Peat Marwick review that indicated there was mismanagement and failure to account for all the money, and they were fired.

Now, I just want to bring to everybody's attention the fact that—the other issue was—well, the fact that these people were fired seems to me, if this committee just cares about people unjustly being fired, that there were staffers working for the House of Representatives, and the month before the Congressional Accountability Act was supposed to take effect, January 1 of this year, at least 10 employees who worked for the Clerk of the House were abruptly fired and told to leave. That's it, they were fired; no reason for it; no accountability to anybody.

And one of the—the person who—well, my colleague just said no cover-up. Well, what have you covered up? What is a cover-up? If there is no cover-up of this because it was just done shamelessly, they just fired them, put some people in who were members of the Republican National Committee, firing people who are not partisan employees, they are gone. That is not covered up, it is done in public view.

But have you—is there any cover-up of what went on at the White House? You might have handled it clumsily. The internal review said it was done insensitively. That is not a crime. That is not a wrongdoing.

So what—if that is being covered up, what is being covered up?

And in fact from the very first of the firing, you got a lot of public criticism that perhaps it wasn't the right thing to do. But after all this time, is there anything here that would justify the Congress spending as much time on it?

Now, I heard about Harry Thomason, that he—I never met the man. He may even be a constituent of mine, because I represent Hollywood. But he evidently had some influence with the President and hung around the White House. Is that any different from the Gingrich backer, according to the Wall Street Journal, November 10, 1995, named Donald Jones, who is a wealthy backer of House Speaker Newt Gingrich. He was called a checkbook citizen because he gave $125,000 to the Republican Party, about $25,000 to GOPAC.

He is a telecommunications entrepreneur, and he sat in the Speaker's office and advised the Speaker. As he said, the content of the House bill—on the telecommunications legislation, he said the content of the House bill is the subject of daily negotiations involving the Speaker, committee chairmen, and a constant parade of telco CEO's. He participated as an observer and interpreted and analyzed the subtleties of the meeting for the Speaker.

Well, he is a volunteer staffer for the Speaker who has got a financial interest in this issue, and he is giving a lot of money to the Republican Party. Why aren't we investigating that?

It is hard for me to see this as not a partisan hearing if we are only looking at firing the people at the White House, where there

was every legality in favor of firing them, plus there seemed to be some cause.

Now some people said, oh, but wasn't the cause of firing these people brought about as a reason to fire them and wasn't the White House looking for a reason to fire them?

You didn't need a reason to fire them. You maybe were looking for a reason, but then you had Peat Marwick do an evaluation, and they gave you a reason to fire these people. I don't see what that's all about.

Now, you were just asked about whether anybody said that you might be fired, or if you felt you might be fired, Mr. Watkins, if you didn't fire those people at the Travel Office. Did you feel that your job was on the line if you didn't fire them?

Mr. WATKINS. Congressman Waxman, I felt, as I stated in my memo, that there would be hell to pay. To what extent that meant, you know, I don't know.

Mr. WAXMAN. Higher-ups wanted you to fire them, is what you felt?

Mr. WATKINS. I felt there was pressure on to take decisive and swift action, yes, sir.

Mr. WAXMAN. OK. Now, I have to ask my Republican colleagues, if he was under pressure and if all the things you said are true, that even if the First Lady called on him to fire those people, we want our employees in there, so what? So what? What was wrong with that?

What is the offense for which we are spending, I think, the second day of hearings in this committee, where we have asked witnesses to come before us, that we have made in effect a Federal case out of what is a firing that this administration had every right to undertake and seems to me that—I am not—I am not finished; I will in a second.

It seems to me if this committee really cared about integrity and honesty and unfairness to employees, why should we allow House employees to be summarily fired and treated so poorly, cavalierly, and have a guy sit in the Speaker's office who had a financial conflict of interest? That seems to me to point out the partisanship of this whole hearing.

I yield to the chairman.

Mr. CLINGER. Will the gentleman yield?

I think it needs to be said here that we are looking at a role, a potential role, of the First Lady. If in fact there was—if in fact the supposition is made here that in fact there was a story created or invented to justify the firing, when no such justification was really warranted, then we have—the offense it seems to me is that you put Billy Dale and others through an unbelievable wringer for a long period of time, which was totally unjustified and totally unwarranted.

Mr. WAXMAN. Well, even if that is true, and it is unfortunate that these people were fired, although all of them except Mr. Dale got a new job, it is also unfortunate the House employees were fired and for no reason at all, and many of them didn't get their jobs back. What is the offense?

Mr. CLINGER. The gentleman's time has expired.

The difference, of course, is that there was no story created to justify those firings. They were fired. You said they had the right do it, and they did it. In this case, clearly the administration had the right to do that. What they didn't have the right to do was to sort of create a story to justify that when that was not a legitimate——

Mr. WAXMAN. The Peat Marwick report—and I ask unanimous consent that that Peat Marwick report be made part of the record of this session.

Mr. CLINGER. Without objection.

[The information referred to follows:]

KPMG PEAT MARWICK MANAGEMENT CONSULTANTS,
WASHINGTON DC,
May 17, 1993.

Mr. William H. Kennedy III,
Associate Counsel to the President,
The White House,
Office of the Counsel, Room 136,
Old Executive Office Building,
Washington, DC.

DEAR MR. KENNEDY: KPMG Peat Marwick is pleased to provide you with this report summarizing the observations and findings resulting from our procedures relating to the White House Office of Travel and Telegraph's (referred to in this report as the press travel office) management, systems, policies, and procedures.

The purpose of our work was to assist you in assessing present accounting policies, practices and procedures. Our on-site work, which consumed approximately 300 hours of professional time, was conducted at the press travel office from May 14, 1993 to May 16, 1993.

The following paragraphs describe the specific objectives, procedures and findings of our work. The procedures we performed were limited in nature and extent and were agreed to by the Office of Management and Administration. As you know, the procedures were revised throughout our on-site work to reflect the time-frame and the limited availability of data, information, and documented policies and procedures. As such, this report may not necessarily disclose all significant matters about the press travel office or reveal errors or irregularities, if any, in the underlying information. Our procedures do not constitute an audit, examination, or review in accordance with standards established by the American Institute of Certified Public Accountants and, therefore, we do not express an opinion or any other form of assurance on the information presented in our report. Furthermore, we do not make any representations regarding the sufficiency of the procedures we performed for your information needs.

Page two summarizes our major observations and findings relating to the accounting system. In particular, we observed several significant weaknesses in the existing internal control systems of the press travel office. The specific procedures performed and our findings are described in more detail in the sections that follow.

In addition to the weaknesses summarized on page two, we noted certain other discrepancies. For example, with regard to petty cash transactions, eight checks written to cash on the Riggs National Bank account were either not accounted for as an increase to the petty cash fund, were incorrectly recorded in the petty cash fund, or were missing from the petty cash fund documentation. The total amount of such discrepancies was $18,200. This and other discrepancies are described in more detail in the pages that follow.

OBSERVATIONS AND FINDINGS

Summary of Significant Accounting System Weaknesses

Lack of Accountability

There is a lack of financial control consciousness.

There is no formal financial reporting process.

There are no reconciliations of financial information other than reconciliations of bank statements.

There is no documented system of checks and balances on transactions and accounting decisions within the office.

There is no apparent oversight or higher level review process of financial activities or transactions of the office.

Lack of Accounting Controls and Systems

Accounting policies and procedures are informal or poorly communicated.
There is no systems or procedures documentation.
There is no general ledger, or cash receipts/disbursements journals.
There appears to be a lack of accounting expertise.

Lack of Documentation

Several disbursements have missing or inadequate documentation.
Documentation for bills submitted to the press is either inadequate or missing. No copies of bills to customers/press are on file.

Lack of Contractual Support

There is no formal contract with the primary domestic press charter air carrier.
There is no evidence or documentation of competitive bids or purchase orders for press charter service.

Inadequate Billing Process

Billing practices are informal and inconsistent.
Differences between estimated trip costs, which are the primary basis for billings and actual costs incurred, are not documented.
This section of our report details the observations and findings of our study. For each area of our study we identify the study objective, the procedures we performed, and our findings.
Objective 1: To gain an understanding of the accounting system, specifically the cash receipts and cash disbursements cycles.

Procedures:

We interviewed the Director of the press travel office to gain an overall understanding of the financial management practices and policies of the office.

Findings:

Our inquiries related to the major financial management practices and policies of the office indicated a number of potential significant internal control weaknesses, including the following:

General:

- No general ledger or other form of double entry bookkeeping.
- No financial statement preparation.
- No external review mechanism.

Cash Receipts:

- No cash receipts journal.
- Improper segregation of duties with respect to access to accounting function and access to cash receipts.
- Incoming checks not restrictively endorsed on a timely basis.
- Incoming checks not deposited on a daily basis.
- Inadequate reconciliation of total cash receipts to deposits in the bank due to lack of daily cash receipts log.
- Inability to determine if cash received was properly or accurately applied to the related receivable (customer/press account balance).

Air Charter:

- No overall contract with the primary domestic charter company.
- No contracts issued for each individual trip.
- No documentation of competitive bids.
- No purchase orders for press charter service.
- No detailed service information provided in charter billings to document exactly what is being paid for and if the charges are reasonable.

Trip Billing System:

- Billing invoices not prenumbered or multi-part. Access to the stationary not controlled.
- Trip records can be deleted from the automated billing system when open receivables still exist.
- The system provides no summary of daily cash applied to the receivables.
- Remittances provided by the customers/press discarded after the receipts are recorded in the system.

• Search capabilities on the automated billing system limited and information can only be listed by trip.

Press Reimbursement of Trip Costs:

• No formal reconciliation procedure exists to adjust amounts billed to the press after comparison to actual costs.

Accounts Payable/Cash Disbursements:

• No cash disbursements journal.

• Inadequate or non-existent segregation of duties between individuals with accounting and check writing authorities.

• No payable log exists for air charter invoices.

Objective 2: To determine if checks written to cash were recorded as increases to the petty cash fund, and that selected withdrawals from the petty cash fund were supported and properly billed.

Procedures:

(a) Selected all checks written to "cash" (total of 17 checks) from the population of canceled checks on file received from Riggs National Bank from January 1, 1992 to April 30, 1993.

(b) Traced the amount and date on the canceled check to the petty cash book.

(c) Located and summarized the detailed petty cash uses (i.e., expenses incurred) for each employee of the office. This procedure was done in order to determine if the detailed information agreed to the summary information.

(d) Traced a non-statistical sample of 10 petty cash disbursements related to 10 trips as listed in the petty cash book to the charges on the respective trip worksheets.

Findings:

(a) On the first day of our fieldwork, we noted and inquired about eight discrepancies between the amounts written to "cash" on the Riggs National Bank account and the recording of these amounts into the petty cash fund. Each of the eight checks was made out to "cash" and signed by the Director of the press travel office, and endorsed by the same individual. A detailed listing of discrepancies follows:

Check Date	Check No.	Amount to "Cash"	Increase to Petty Cash
January 11, 1993	4441	$2,500	None
October 9, 1992	4173	5,000	$2,000
June 17, 1992	3898	3,000	None
April 10, 1992	3780	2,500	None
February 18, 1992	3617	3,000	None
December 27, 1991	3567	2,000	None
December 18, 1991	3557	3,000	None
December 5, 1991	3533	2,000	None
		23,000	

(b) For three petty cash transactions dated December 27, 1991, December 18, 1991 and December 5, 1991, the page from the petty cash book was missing for this time period and the entry therefore is untraceable.

(c) On the second day of fieldwork, the Director of the press travel office informed us that he located $2,800 of the $3,000 unaccounted for in the October 9, 1992 petty cash transaction. He informed us that he found it in an envelope located in a locked drawer in the office, separate from the rest of the petty cash.

(d) Total of checks written to cash and not recorded on petty cash log or subsequently located by the press travel office is $18,200.

(e) For the 10 selected petty cash disbursements (i.e., use of a petty cash draw by an individual) chosen, we traced the petty cash disbursement amount per the petty cash book to the respective summary trip worksheet located in the trip files. We noted that the amount of the petty cash disbursement was recorded on the summary trip sheet as an actual cost incurred on that particular trip.

Objective 3: To assess whether checks recorded as received in the press travel office were deposited into the Riggs National Bank account within a reasonable time and were properly posted to the automated billing system (i.e., properly applied to the outstanding bill).

Procedures:

(a) Selected a non-statistical sample of 25 items from the "Checks Received Log" for the time period January 1, 1992 to May 14, 1993.
Traced each sample item to the respective time period's deposit slip.
Traced the deposit slip noted above to the bank statement.
Traced each sample item to the automated billing system.

Findings:

(a) All items selected agreed to the deposit slip amounts and to the bank statements.
(b) All checks in our non-statistical sample were deposited into the bank within one week's time period.
(c) Due to limitations in the press travel office documentation, we were unable to determine whether 23 of the cash receipts were properly posted to their respective account balances.

Objective 4: To determine that written checks are the only disbursements from the Riggs National Bank account.

Procedures:

(a) Reviewed bank statements for the period January 1, 1992 to April 30, 1993 looking for non-check disbursements.
(b) Counted the number of canceled checks returned with each bank statement and compared them to the number of checks clearing the bank that month.

Findings:

(a) We found no non-check type (e.g., no wire transfers, etc.) disbursements from the Riggs National Bank account.
(b) In all cases, the number of canceled checks returned with the bank statement was the same as the number of checks disbursed that month per the bank statement.

Objective 5: To assess the quality of documentation supporting selected cash disbursements.

Procedures:

(a) Chose a non-statistical sample of 76 canceled checks form the period January 1, 1992 to April 30, 1993, noting the date, check number, amount and payee. The non-statistical sample included 17 checks made out to "cash" which were reviewed as part of the procedures for Objective 2.
(b) Compared each check to available vendor invoices, with the exception of the checks written to cash.
(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) Of the non-petty cash check disbursements, 12 disbursements (canceled checks) appear to have no supporting invoice. Nine of the 12 disbursements were for baggage handling charges at hotels. The total amount of these nine disbursements was $4,690.07.
(b) Two disbursements represented refunds for overpayment by customers/press. There is no supporting documentation for these refunds. The two disbursements amounted to $374.75.
(c) One disbursement to Pan Am Express on December 20, 1991 did not have a related invoice. The Director of the press travel office informed us that the payment was based on an oral price quote from the charter company. The dollar amount of this disbursement was $12,841.56.
(d) We noted differences in the check disbursement amount and the invoice amount for charges related to press charter service. This difference, in all cases, was indicated by the press travel office to be Government Travel Requests (GTR's). GTR's were forwarded, along with the check amount, to the charter service. The total of the two (check and GTR) equaled the invoice amount. Both the check and GTR are negotiable instruments.

Objective 6: To assess the quality of the documentation supporting a selected trip's costs (as indicated on the trip worksheet).

Procedures:

(a) Chose one trip from the total trip files from January 1, 1992 to the present.
(b) Traced each check that was disbursed in payment of the total trip charges indicated on the trip worksheet to the related vendor invoices (i.e., original documentation requesting payment for services).
(c) Reviewed each canceled check for apparent propriety of endorsement.

Findings:

(a) All checks written in payment of charges related to this one trip (President Clinton's trip to Detroit, Michigan on February 10, 1993) appear to be properly supported.

(b) All checks appear to be properly endorsed.

Objective 7: To analyze the volume of cash activity flowing through the press travel fund bank account from the period January 1, 1992 through April 30, 1993.

Procedures:

(a) Obtained bank statements since January 1, 1992.

(b) Collected the following information about the press travel fund cash account.
Beginning and ending bank balances of the press travel fund cash account.
Average daily balance.
Total receipts (for the month).
Current balance on hand as of April 30, 1993.

Findings:

We noted the following information (cents omitted):

Beginning balance at January 1, 1992	$636,813
Total receipts, January 1, 1992–April 30, 1993	10,446,951
Total disbursements, January 1, 1992–April 30, 1993	-10,709,680
Ending balance at April 30, 1993	374,084
Range of average daily balance:	
High in January, 1993	1,080,247
Low in March, 1993	245,195

Objective 8: To gain an understanding of the volume of air charter service fees for the period January 1, 1992 through May 15, 1993 and to determine the recipient of the fees.

Procedures:

(a) Obtained the check books from January 1, 1992 through May 15, 1993 and noted checks disbursed in payment of either commercial or chartered air service.

(b) Summarized the detailed information gathered in (a) above by individual carrier/airline.

Findings:

In summary, the following airlines or charter services were disbursed funds from the press travel fund from January 1, 1992 through May 15, 1993 (cents omitted):

Domestic Travel:	
Ultrair, Inc	$428,733
Airline of the Americas	2,123,939
Pan Am World Airways	100,815
Miami Air International	343,024
	2,996,511
International Travel:	
TWA	1,479,247
American Trans Air	892,064
Evergreen Int'l Airlines	154,579
	2,525,890
Grand Total	5,522,401

Objective 9: To determine that all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992 were included in the overall trip charges on the trip worksheet for a specific trip.

Procedures:

(a) Assembled, from the check book stubs, a listing of all disbursements made to Ultrair, Inc. or Airline of the Americas since September 1992.

(b) Traced the check amount to the respective trip worksheet, or trip worksheets in the case of one check paying for more than one trip. We noted whether there

were any discrepancies between the amount disbursed to the charter company and the amount indicated as the "actual" cost on the trip worksheet.

(c) Noted whether there were other types of trip charges (e.g., hotel, truck rental, telephone) on the same trip worksheet for the trip numbers being reviewed.

Findings:

(a) All checks disbursed to Ultrair, Inc. or Airline of the Americas were included on trip worksheet(s).

(b) We noted that these trip worksheets did contain other trip costs (i.e., there were other charges in addition to the charter service such as phone charges, hotel, truck rental, ground transportation, etc.).

(c) We noted that the check amount disbursed to Ultrair, Inc. or Airline of the Americas was different than the amount noted as actual cost of "press charter." The difference was due to GTR's. The GTR's were remitted along with the net check to the charter company. Both the check and the GTR are negotiable instruments and together totaled the invoice amount.

Objective 10: To analyze, in more detail, the receipts and disbursements activity of the press travel fund for the month of February 1993.

Procedures:

(a) Obtained the February 1993 Riggs National bank statement and the canceled checks on file.

(b) Listed each canceled check that made up the total disbursement amount for February 1993.

(c) Discussed the reasonableness of the level of cash receipts in the month of February 1993 with the Director of the press travel office.

Findings:

(a) The total amount of checks returned with the February bank statement ($1,030,835 (cents omitted)) agreed to the total amount disbursed per the bank statement. Significant disbursements making up this total include the following (cents omitted):

Treasurer of the U.S. (for Air Force One charges—August, 1992–January, 1993)	$525,037
Airline of the Americas	79,456
AT&T (phone charges—September 5, 1992–October 25, 1992 or 13 trips)	327,891
Total significant disbursements	923,384

(b) According to our interview with the Director of the press travel office, low receipts in February 1993 were due to a decrease in press travel after the November election and the lack of travel early on by the new Administration which took over on January 20, 1993.

Objective 11: To approximate the net assets of the press travel fund at May 15, 1993.

Procedures:

(a) Obtained the cash balance of the press travel fund at Riggs National Bank at April 30, 1993 from the April 30, 1993 bank statement reconciliation.

(b) Subtracted from the April 30, 1993 cash balance the following amounts:

- Amount of checks written on the cash account from May 1, 1993 to May 15, 1993 that were identified in the press travel fund check book.
- Amount of unpaid vendor invoices at May 15, 1993 that were identified from the trip worksheets or actual hard copy vendor invoices in the open invoice file.

(c) Added to the April 30, 1993 cash balance the following amounts:

- Amount of deposits made to the cash account from May 1, 1993 to May 15, 1993 that were identified from copies of deposit slips.
- Amount of checks received by the press travel office in payment of bills which had not yet been deposited that were located in a locked drawer in the press travel office.
- Amount of outstanding accounts receivable at May 15, 1993 that were identified from the automated billing system.
- Amount of unbilled expenses which had been paid by the press travel office but had not yet been billed to the customer/press. This amount was estimated by reviewing the paid invoices for these expenses and noting that the amount had not been set up as an accounts receivable.

Findings:

The approximate net assets of the press travel fund at May 15, 1993 were computed as follows:

Cash balance per April 30, 1993 bank statement reconciliation	$369,976
Less: Checks written from May 1 to May 15, 1993	(318,880)
Less: Estimated unpaid invoices (i.e., accounts payable) at May 15, 1993	(521,602)
Add: Estimated accounts receivable at May 15, 1993 (See NOTE below)	366,793
Add: Deposits to bank account from May 1 to May 15, 1993	76,489
Add: Checks on hand not yet deposited to bank but already applied to accounts receivable	92,025
Add: Unbilled expensed incurred by the press travel office but not yet billed to the press and not included in the estimated accounts receivable amount	834
Estimated net assets at May 15, 1993	65,635

NOTE: The data in the automated billing system indicated that a trip occurring in December 1992 wes not billed. The trip file showed disbursements for the trip totaling approximately $113,000. We ware unable to determine if the trip had been billed, and, if not, why it had not been billed. This amount is not included in the accounts receivable balance of $366,793 above.

Objective 12: To review the policies and procedures used to calculate amounts billed to the press for press travel, and to compare the actual cost of the trips to the amounts billed to the press.

Procedures:

(a) Interviewed individuals responsible for preparing bills to the press review the procedures used to prepare the bills.

(b) Gained a general understanding of the automated billing system used to generate invoices.

(c) Compared the amount billed to the press by the press travel office per reports generated by the automated billing system to the actual cost incurred for the trip per the trip worksheets for 28 consecutive trips between August 23, 1992 and October 12, 1992.

In performing this procedure, we selected the most recent trip for which substantially all costs incurred (per the trip worksheet) had been invoiced and paid, which was the trip departing October 11, 1992 and returning October 12, 1992. We then examined each preceding trip in consecutive order, completing through August 23, 1992 in the time provided.

(d) Compared the amount billed to the press per the trip spreadsheet generated by the automated billing system in the trip files for 5 trips to another report produced from the same automated billing.

Findings:

(a) No written policies or procedures documenting the billing process exist.

(b) We were informed that amounts billed to the press were based on estimates of trip costs, not on actual costs, because of the time delay in receiving invoices for certain trip expenses (such as long-distance telephone lines). No subsequent formal reconciliation of estimated to actual costs was made.

(c) The Director stated that differences between the amount billed and actual cost for trips were recovered or refunded through adjustment or billings on subsequent trips. No formal documentation of these adjustments was maintained.

(d) We were unable to determine actual amounts billed to the press because the original source documentation was unavailable, and other sources of the billed amounts were inconsistent. Per the Director, copies of the original invoices sent to the press were not maintained on file in the office. For three of five trips reviewed, the dollar amounts contained on a summary report generated from the automated billing system and used by the office as the record of amounts billed differed from corresponding amounts on another report generated from the same system.

This report relates only to the items specified above and reflects events and circumstances as they were documented or conveyed orally to us from May 14, 1993 through May 16, 1993.

Very truly yours,

KPMG PEAT MARWICK.

Mr. WAXMAN. That report gave a lot of indications of mismanagement by the people who were running the Travel Office, loss of funds.

Mr. DAVIS. Reserving the right to object, Mr. Chairman, I just want to point out, this was not an audit, this was a report. It had

been characterized earlier today as an audit. With that understanding, I will withdraw my objection.

Mr. CLINGER. The gentleman's time has expired, and I now recognize the gentleman from Connecticut.

Mr. SHAYS. Thank you, Mr. Chairman.

I would like to yield my time to my colleague, Mr. Mica. I hope he will reciprocate.

Mr. MICA. Thank you, and I will yield.

Mr. Watkins, I want to get back to World Wide Travel again. I had asked some questions before about some of your comments, and the Washington Times reported on May 21, 1993, and quote:

> That World Wide was credited by Mr. Watkins with setting up cash management practices that obtained advance payments from traveling journalists. This freed campaign money for advertising in such key States as Michigan and Illinois.

And then they have a quote from you, "'it allowed us to win key primaries, to have money that otherwise would be tied up in accounts receivable to put into advertising,' Mr. Watkins said, in September."

Is that something that you said?

Mr. WATKINS. I don't—as I stated this morning, Congressman, I don't remember that exact comment or quote.

Mr. MICA. I have another one from Travel Weekly, September 10, 1992, Little Rock dateline:

> According to David Watkins, deputy director of operations for the Clinton Presidential campaign, were it not for World Wide Travel here, the Arkansas Governor may never have been in contention for the highest office in the land.

Is that something you might have said?

Mr. WATKINS. I might have said that.

Mr. MICA. OK. Then I want to take a minute, if I may, and walk through a couple of things.

In the memo that we saw recently released, the memo—it says was the—what was the—I want to know what was the situation between the First Family and the Secret Service you referred to in that memo? You felt like you were under a tremendous amount of pressure to act, and you said that you hadn't acted because of the situation with the Secret Service.

Did this involve also firing or removing Secret Service personnel?

Mr. WATKINS. The reference to—of mine in the memo on the first page to the Secret Service refers to an instance early in the administration where there was a press story about the First Lady throwing a lamp at the President, and this press story lasted for 2 or 3 days or even longer. And the feeling we had is that we were not—we did not protect the First Family enough by taking some positive public relations actions and coordinating our actions with the Secret Service.

Mr. MICA. Well, that press story, as I understand, occurred in April.

Mr. WATKINS. Well, early in the administration. I don't have the——

Mr. MICA. But I am not interested in that detail. But were you directed to remove any Secret Service personnel or get them reassigned?

Mr. WATKINS. During that, the whole conversation about the lamp-throwing incident——

Mr. MICA. You don't have to get into the titillating part. I just want to—I am chairman of the House Civil Service Committee—Subcommittee, and I just wondering about the personnel aspects.

Mr. WATKINS. Yes, if you'll—I will answer that, Congressman. There was discussion and conversation about the President's protection detail, the people that served in the protective detail for the President.

Mr. MICA. Discussion among whom, the President and First Lady?

Mr. WATKINS. President, First Lady——

Mr. MICA. And they wanted people removed or reassigned?

Mr. WATKINS. More not removed, more that maybe some others brought in that had served on the protective detail during the campaign.

Mr. MICA. Well, OK. Let me ask you a question. You had also made some comments in here about the President's distant cousin, Ms. Cornelius; and you termed her as one who tended to exaggerate; you didn't put much credit in her. She was also assigned, I guess, with coming up with some sort of a plan by May 15 for reorganizing the office or——

Mr. WATKINS. That's—I would not characterize it that way. That's incorrect.

Mr. MICA. All right. Well, you did characterize her in the memo that we got as having a tendency to exaggerate, and you didn't think she was capable of coming up with a plan to reorganize.

Mr. WATKINS. I would have to review that precisely. I don't—her—what she was to provide me by May 15—she was assigned to the Travel Office in early April, late March, early April, and she was to provide me a report on the operational procedures of the Travel Office.

Mr. MICA. Did she work for your office before?

Mr. WATKINS. She did.

Mr. MICA. Did you term her, what you provided us with, this new document, as a liability? You termed her as a liability and you were going to move her someplace else?

Mr. WATKINS. She always—Ms. Cornelius always wanted, the way she got to the White House——

Mr. MICA. Was she working with Harry Thomason?

Mr. WATKINS. When?

Mr. MICA. Either before or after she was assigned this—to do this report by the 15th.

Mr. WATKINS. I'm not—with all respect, due respect, to try to answer the question precisely——

Mr. MICA. And then—well, OK.

Mr. WATKINS. The correct answer is, she was not working with Harry Thomason during when Harry——

Mr. MICA. At either time, before or after she worked for you, or she was assigned?

Mr. WATKINS. She was not assigned to Harry Thomason, is the short answer.

Mr. MICA. She was assigned to the Travel Office to come up with this report by the 15th?

Mr. WATKINS. She was assigned to the Travel Office for specific duties of helping with staff travel. This had been explained to Mr.

Dale. Mr. Dale, Ms. Cornelius and I met, and we discussed that Ms. Cornelius would go to the Travel Office. There had been some problems with staff travel, and she was assigned to assist in that. And when she—when I sent her over there, I asked her to—after I received the call from Mr. Thomason in April, I said, Catherine, please keep your eyes and ears open; Harry Thomason reported this, you know, all these things about the Travel Office.

Mr. CLINGER. The gentleman's time has expired.

Mr. MICA. Thank you, Mr. Chairman.

Mr. CLINGER. The gentleman from West Virginia, Mr. Wise.

Mr. WISE. Thank you, Mr. Chairman.

Mr. Watkins, I'll try to get some questions in very quickly. Mr. Thomason, I happen to think that it was not a good idea for him to have had the access to the White House that he did. Mr. Waxman has pointed out that that's not unique to the White House; indeed the Speaker had a fellow volunteer, telecommunications executive volunteering his time. It would have been better had Mr. Thomason not had that access.

My question, though, to you, is to your knowledge did Mr. Thomason benefit from this, from the Travel Office?

Mr. WATKINS. To my knowledge, he did not, no, sir.

Mr. WISE. And did—I believe her name is Ms. Sample?

Mr. WATKINS. Penny Sample.

Mr. WISE. She actually volunteered some time?

Mr. WATKINS. For about 3 weeks.

Mr. WISE. OK. To your knowledge, did she benefit directly from the Travel Office?

Mr. WATKINS. No, sir.

Mr. WISE. And in fact did she not decline any commission for placing, for chartering or whatever it was she did?

Mr. WATKINS. That's correct, she received no commissions.

Mr. WISE. So she received no benefit. And indeed, later, none of them, I believe, had a contract with the Travel Office.

Mr. WATKINS. No, it was never the intent, or at least it was never my intent for Mr. Thomason to receive or Mr. Martens to receive a contract for the Travel Office.

Mr. WISE. Mr. Watkins, an earlier statement by one of the members of the other side stated something about the Peat Marwick study being commissioned or directed in order to justify the decision to fire employees. Had the decision been made to terminate those employees prior to the——

Mr. WATKINS. No, sir.

Mr. WISE. —Peat Marwick's statement?

The—I'm trying to get a sense of the picture of what existed in that period in May. Let me ask you if this is a fair representation.

We've heard—we've done the Monday morning quarterbacking on your actions. What would have been the opposite, though? There is a story brewing that there are problems possibly, or irregularities, in the Travel Office. Apparently, allegations are beginning to surface, so much so that you feel compelled to say, don't bring in the FBI yet, let's get Peat Marwick in here. Is that correct?

Mr. WATKINS. I would—I suggested that we bring, and I didn't know the name of the accounting firm at the time, I suggested to Mr. McLarty and Mr. Foster and Patsy Thomasson in a meeting

with Mr. McLarty that we should bring in an independent accounting firm; and that's what we did. We—then we went back to my office. I went back to my office, we discussed who and where; and someone, a young staffer in my office, had met someone on the National Performance Review from Peat Marwick, and so gave me a name, and I called him.

Mr. WISE. So they come in. They—I assume they give you a quick summary of what, their initial review?

Mr. WATKINS. Ongoing summary throughout the day and each day. I was out of town on the Friday and Ms. Thomasson, who was, in my absence, was coordinating with Peat Marwick, gave me many reports throughout the day and Friday of what was transpiring in their review of the Travel Office.

Mr. WISE. So now you've got the situation of you have this thing brewing, you know that there's going to be a study out eventually that says things aren't being operated very well in the Travel Office. What are going to be the implications of that? What's going to be the press story? Is that a fair statement? Is that a fair observation?

Mr. WATKINS. Observation that had we not done something?

Mr. WISE. Yes.

Mr. WATKINS. I think that there would have been—as I've stated earlier today, there would have been a problem had we not taken some action.

Mr. WISE. Was there discussion about what could—what would happen if you did not take action?

Mr. WATKINS. Well, as evidenced by the thought of my notes, I mean some of my notes, what happens if—you know, do we do—what if there are no criminal or any wrongdoings discovered. The thought all together was, what happens, we need to take some decisive action.

I think one of the points, Congressman Wise, is that if we had come in and there had been the—sent in Peat Marwick on Friday and had taken no action, that there's a very good possibility that the members of the Travel Office, knowing, having access to the press, would have released some kind of information or said something, and the press would have done a story, extremely negative, about our coming in and reviewing the Travel Office anyway.

Mr. WISE. Well, in your draft memorandum that was never sent, you stated about your conversation with the First Lady, and I quote, I called her that evening and she conveyed to me in clear terms her desire for swift and clear action to resolve the situation.

Given what you've just said, you've got the study in hand at this time, is that a—is that an erroneous decision or—let me not say decision. Is that an erroneous conclusion by the First Lady, that something ought to be done?

Mr. WATKINS. I think the conclusion by the First Lady is appropriate, was appropriate for her.

Mr. WISE. And then I also point out, you made a statement, I believe, or your memo makes a statement following up on the same thing. So if the First Lady expressed concern about the Peat Marwick findings, was she not in good company since did not the FBI also express concern about criminal activity in the Travel Office?

Mr. WATKINS. The FBI concluded in their meetings that there was sufficient observations and evidence to go forward with an investigation.

Mr. WISE. So at least at that stage in time, the FBI thought there was something worth looking at?

Mr. WATKINS. That's correct.

Mr. WISE. And would you conclude that the FBI was being driven by pressure from you, from any of the ones above you, including the First Lady, to make that decision; or do you think that was a decision that they made at arm's length?

Mr. WATKINS. Certainly, to the best of my knowledge, it was a decision that they made as an independent agency.

Mr. WISE. So the First Lady says to you on the phone, I think we need to get this thing resolved quickly; the FBI is also during that same week, perhaps subsequent, is also raising the same questions and concerns?

Mr. WATKINS. There's—they raise questions that there's enough evidence for—to go forward with an investigation; that's correct, sir.

Mr. WISE. Thank you.

Mr. CLINGER. The gentleman's time has expired. The gentleman from—oh, Mr. Mica again.

Mr. MICA. Thank you.

I am only going to take 1 minute, and then I will yield to Mr. Blute. But just to finish up, did I hear you say, Mr. Watkins, that World Wide Travel didn't charge for their services?

Mr. WATKINS. In the—in the——

Mr. MICA. In the campaign.

Mr. WATKINS. In the short time that they were at the White House, they didn't charge for their services.

Mr. MICA. In the campaign. I have copies——

Mr. WATKINS. Oh, no, I did not say that. They of course charged for their services.

Mr. MICA. And Penny, did she charge for her services?

Mr. WATKINS. I'm sure she did; yes, I'm sure she did.

Mr. WISE. If the gentleman would yield so the record is straight, charge for her services in the campaign.

Mr. MICA. I don't have time right now, but we will get back to that.

Just a couple things, just to clear up here. You referred to, and I have taken out of your report from the Podesta report to Cornelius, the distant cousin, as "self-interested" and had a "tendency to exaggerate." Those are your words.

You also referred to her as a "liability" when she worked in your office; that was your term. You concluded, Cornelius would come up with "unworkable"—whatever she would come up with would be "unworkable." And you referred to Cornelius also as the "accuser." Those are all terms that you used in your Podesta report.

Then who did you put in charge when the White House Travel Office folks were fired?

Mr. WATKINS. Mr. Brian Foucart.

Mr. MICA. And what was Cornelius' role?

Mr. WATKINS. Ms. Cornelius was the charter coordinator in working with Penny Sample.

Mr. MICA. So she was the charter coordinator.

Now, did World Wide—did World Wide Travel handle the—did they handle the White House?

Mr. WATKINS. World Wide Travel——

Mr. MICA. They had the White House office and got this business without a bid; is that correct?

Mr. WATKINS. World Wide Travel was asked to come in and take over as the commercial travel arm of the White House Travel Office on Wednesday of—May 19th. And they, as well as the White House, agreed, they dropped out of consideration or they decided not to participate in the White House Travel Office on Friday, the 21st, I believe.

Mr. MICA. Had there been any problems related to your—had you heard of any problems about the conduct of World Wide Travel?

Mr. WATKINS. None, none.

Mr. MICA. At any point?

Mr. WATKINS. No, sir.

Mr. MICA. And after they were put in charge, did you hear any comments?

Mr. WATKINS. No, sir.

Mr. MICA. Were you aware of the comments that were made to—by the press to Dee Dee Myers, when Dee Dee Myers was informed by the press—let me give you a couple of these quotes here.

This is to George Stephanopoulos:

> Speaking of sloppy recordkeeping, I don't know anyone on the campaign plane who ever got a detailed accounting of the charges. I think most of the people got a charge on our American Express bill saying, signature on file, and then had to call up and hound World Wide Travel to get some sort of detailed bill.

Were you aware of that, those kinds of charges?

And I have a whole page of them that the press made when they were put in charge of—you put them in charge of the White House Travel Office. Are you aware of those?

Mr. WATKINS. I may have seen some of those; and those were all after the fact, Congressman, I would remind you.

Mr. MICA. Let me ask you a question. When you called these folks in, the White House Travel folks in, to fire them or terminate them, you said it was going to be a surgical procedure. You wanted to do it pretty quickly. You referred that—and they have said publicly that you said that this was also part of the National Performance Review; is that correct?

Mr. WATKINS. I don't recall my exact words to them, Congressman, but I—I have always contended in my mind that my whole operation in reviewing the various offices of the White House was part of the National Performance Review.

Mr. MICA. And were you aware that this was also an excuse given by Dee Dee Myers in a press conference to the press, that it was part of the National Performance Review?

Mr. WATKINS. I am aware of that, yes, sir.

Mr. MICA. And was the Vice President also in on this; was he aware of——

Mr. WATKINS. The Vice President was not aware of the termination of the Travel Office.

Mr. MICA. Let me ask you then, if you are aware of the campaign—again, let's shift back to the campaign for a second. You were involved in the campaign; and there was an FEC audit. I understand it was critical of World Wide Travel. Were you aware of that?

Mr. WATKINS. I don't recall that, no, sir.

Mr. MICA. And their handling of some funds. Could it be interpreted that this—there was, I guess, an overbilling? That the press were charged, and other folks were charged over a million dollars, $1.2 million was refunded at the end of the campaign, and you said that some of this cash that was on hand was used to benefit the campaign, and they——

Mr. WATKINS. I can't recall those particulars at all. I would—I would make you aware that the FEC spent two-and-a-half years or so reviewing the campaign. They always do. There are always moneys exchanged, there are always fines.

Mr. MICA. But there were no questions then in your mind about giving World Wide Travel this business?

Mr. WATKINS. I don't—at the time, I don't know that that part of the—if you're referring to the FEC reports, I don't know that they were concluded by the time we made the decision on bringing——

Mr. MICA. Did you know if Mr. Thomason had any interest in either World Wide Travel, or in the consulting firm that was trying to get the travel consulting business with Mr.—what's his name, Daryl Martin?

Mr. WATKINS. Darnell Martens.

As I recall, Mr. Thomason had—again, I don't know if I had firsthand knowledge or knowledge from either press or memorandum that I had seen from others, that Mr. Thomason had a minority interest in Mr. Martens' firm.

Mr. CLINGER. The gentleman's time has expired.

Let me just clear the record up here. Is it your testimony, Mr. Watkins, that Penny Sample did not take any commission for work that she did in the White House?

Mr. WATKINS. My—my answer, and it related to a note, one of these on one of my notes, Ms. Sample got a commission through her firm, Air Advantage, on one of the early charters, because she billed the—the charter company billed it through Air Advantage.

There was a commission earned by Ms. Sample initially. According to my best understanding and what I was told by Ms. Sample, that she returned that commission because we did never—we never intended that she would receive any financial benefits from coming in as a volunteer. It was our understanding and Ms. Sample was a volunteer, she would be a volunteer.

Mr. CLINGER. All right.

Mr. WISE. Would the gentleman yield on that? This follows up on your question. Just as I—that is the way that I read your notes. But is it similar to in advertising, I know that a media firm will automatically include the commission or—when you buy, you automatically include the commission, and in this case it was automatically included and then Ms. Sample said, no, I am not supposed to get it.

Mr. WATKINS. I can't—I can't say that absolutely. I don't know exactly how the billings are for those. I do know that at first it went into—that she, from the charter company, was to get a—I mean from the airplane company, the charter group, she was—either received or was to have received a commission. We learned of that, and I don't remember the particulars about that, talked to Ms. Sample; she agreed that that was a mistake, she should never have gotten the commission and she either refunded the money or never ever really got it deposited with her.

Mr. CLINGER. That wasn't the reason you had her leave the Travel Office?

Mr. WATKINS. No, sir, she came in initially to serve 2 to 3 weeks. That was her initial understanding.

Mr. CLINGER. OK. The gentleman from Pennsylvania.

Mr. KANJORSKI. Thank you very much, Mr. Chairman.

Mr. Watkins, have you ever testified before any other body in regard to this matter?

Mr. WATKINS. Well, I had questions——

Mr. KANJORSKI. Were you called before the grand jury that indicted Mr. Dale?

Mr. WATKINS. Again?

Mr. KANJORSKI. Were you called before the grand jury that indicted the director of the Travel Office?

Mr. WATKINS. No, no, sir, I was not.

Mr. KANJORSKI. Did you—do you know whether or not you provided any information that was used in his indictment and the prosecution?

Mr. WATKINS. Not to my—not to my knowledge.

Mr. KANJORSKI. Do you know whether or not anyone above you in rank in the White House——

Mr. WATKINS. Not aware of that.

Mr. KANJORSKI. Certainly you have never heard of Mrs. Clinton being called before a grand jury or——

Mr. WATKINS. No, sir.

Mr. KANJORSKI [continuing]. The trial or prosecution.

Do you know who brought the prosecution of this supposedly——

Mr. WATKINS. I know very little about that side of the——

Mr. KANJORSKI. You ever heard the name of Stewart Goldberg, senior litigation counsel, and Raymond Hulser, trial attorney for the Public Integrity Section of the Criminal Division of the U.S. Department of Justice?

Mr. WATKINS. I never heard that name.

Mr. KANJORSKI. I hope that some of the members of the majority side of the committee have heard those names, because I have met some of those men. They are long-term professionals. And for us to be hearing a perpetuation of this idea that a story was concocted and persecution in the nature of a prosecution was made by men of this integrity, is insulting to their professional position at the bar.

If you know any of these gentlemen and their service in Government, you know that they have been in the strongest way providing for professional integrity of the U.S. Government for a number of years. And you are now in my estimation by all this suggestion here that there was persecution by nature of the prosecution, that

these people had to be participants in the conspiracy to abuse justice in order to bring this indictment against this individual. They had to be taking some direction for political purposes from somebody higher up than Mr. Watkins in the White House. And if that is the suspicion, then these men—the reputations are on the line. It seems to me they are the people that should be down here telling us. And you better get them here. They have a right to protect their integrity as members of the bar and members of a very professional division of the Department of Justice.

Mr. Watkins, how much has this cost you, besides your return to private life?

Mr. WATKINS. It's been my—you want a precise figure for my legal terms? Legal bills that I've been involved in the Travel Office and other inquiries by Congress, it's been approaching a hundred thousand dollars.

Mr. KANJORSKI. A hundred thousand dollars. I hope you are a person of great personal wealth.

Mr. WATKINS. I'm not.

Mr. KANJORSKI. Because that is an exceptional amount of money. That is probably most of the net worth or equity that the average American could hope to put aside in a lifetime. So that is what your public service and friendship has cost you.

Do you have any idea what it's cost this committee or the other agencies?

Mr. WATKINS. I have no idea, no, sir.

Mr. KANJORSKI. Are you aware, Mr. Watkins, of some of the prior uses of travel in the White House in other prior administrations? Were you aware of some of the hearings, the $54,000 dental trip by John Sununu during the Bush administration; another $50,000 trip to get a stamp collection in New York City?

Mr. WATKINS. I'm not aware of any particulars, no, sir. I mean, I recall some of the press around that time, but I don't first-hand——

Mr. KANJORSKI. The only thing I am curious about in this whole matter, because I dealt with the press and in particular travel, this is one of their favorite stories, Thanksgiving, Christmas, Easter, this city gets inundated with things we just read, but matter of fact now it is fortunately not mostly on my side of the aisle, it is now on the majority side of the aisle, junkets, getting sports figures in China and other nations of the world to play squash with Members of the other body or our body. It is a habit in Washington. But has anybody inquired into whether some of the problem in the Travel Office was maybe some of the press corps was paying a lesser amount than the actual cost, or that they were—I noticed in reading some of this matter, the checks were generally made by the reporters to the employees out of their own accounts, but then obviously were reimbursed by their newspapers or by their broadcasting companies, whoever paid their expense accounts. Has anybody made an examination to see whether or not what was actually billed to the press media is what they billed on their expense accounts, to see whether or not——

Mr. WATKINS. I'm not aware of any, no, sir.

Mr. KANJORSKI. Do you think we ought to—we ought to spend hundreds of thousands of dollars more money and maybe ruin

other reputations and really make this a hunt, until November 5, is it, is that when we have to carry this on to, November 5, is that the——

Mr. CLINGER. Will the gentleman yield? I would say this hearing would not even be held today, had the administration been forthcoming 2 years ago when we first requested documents.

Mr. KANJORSKI. Well, Mr. Chairman, that is a great point. Because I understood the testimony of this witness, that he was always available to testify before this committee any time, and that it was very peculiar that in the middle of the break——

Mr. CLINGER. We didn't have the documents.

Mr. KANJORSKI [continuing]. With nothing else going on on the radar screen in Washington, DC, this committee chairman and the majority of this Congress saw fit that we all had to return from our districts, because, Mr. Watkins, you are in ill health, aren't you, you are about to die?

Mr. WATKINS. Oh, no, not to my knowledge.

Mr. KANJORSKI. Are you losing your ability to testify in the future?

Mr. WATKINS. Not to my knowledge.

Mr. KANJORSKI. There has to be some reason on a Wednesday, 2 or 3 days before we return to Washington, that we have to assemble from all over the United States, at great expense to the American Government. For a trip from my district to come here, it is about $600. I imagine some of my friends are even more expensive than that. No, I can see that Mr. Davis, he just drove across the river. But there was no emergency, was there, to have this hearing? We could have had it next week. We could have all been in town, had this maybe next week. The emergency really was, Mr. Watkins, that there is nothing going on on the Hill in Washington, DC, on this Wednesday. And this is a great television news story time.

Mr. CLINGER. The gentleman's time has expired.

Mr. KANJORSKI. And I hope it is the time of the hearing that will soon expire.

Mr. CLINGER. I will now recognize the gentlelady from Maryland, Mrs. Morella.

Mrs. MORELLA. Thank you, Mr. Chairman.

I want to pick up on what was stated earlier, too, Mr. Watkins, because I heard at least four times during the course of this hearing the idea that this—the firing, the change at the Travel Office, was a result of a press opportunity. It really blows my mind to think that we have a press opportunity, quote, unquote, that would threaten the livelihoods and the careers of these Federal employees and their families. How can you justify that?

Mr. WATKINS. Well, again, there was the finding by Peat Marwick of mismanagement, financial mismanagement in the Travel Office. Mr. Dale was allowed to retire. The FBI made the decision that there were sufficient unexplained and sufficient wrongdoing or allegations of wrongdoing or opportunities for wrongdoing that they would conduct an investigation.

Mrs. MORELLA. I think we—first of all, Mr. Dale was indicted; he wasn't, like, invited to retire.

Mr. WATKINS. No, ma'am, he did retire from the White House.

Mrs. MORELLA. But I don't think it was voluntarily.

Mr. WATKINS. Yes, it was.

Mrs. MORELLA. He voluntarily——

Mr. WATKINS. He asked if he could retire, and he was granted—he was retired and the other——

Mrs. MORELLA. After he was fired. After he was fired, right?

Mr. WATKINS. Well, he requested at the time of the meeting, he says, will I be allowed to retire and get his full retirement benefits, and I said yes.

Mrs. MORELLA. But he was actually—then he was fired, I think, wasn't he? He was given the opportunity to retire, but after he was fired?

Mr. WATKINS. After he—anyway, he—he retired, to my understanding.

Mrs. MORELLA. He was subsequently indicted and we discussed earlier——

Mr. WATKINS. He has all his retirement benefits. He asked to retire and he said, will I be able to retire, and I said, yes, you will be able to retire.

Mr. SHAYS. How could you justify that?

Mr. WATKINS. I don't know that I could. I'm not trying to say, Congresswoman, that I did a great humane thing on that account. I'm just saying that he did retire.

Mrs. MORELLA. We already talked about the Peat Marwick Management Review, rather than an audit. And earlier in this hearing I heard Mr. Peterson make a statement and I was going to interrupt and say, would the gentleman yield, but he didn't have much time, where he was saying that what they found in terms of the so-called mismanagement, he said they find it in every agency, and maybe this committee should begin to look at agencies to see how they could do better accounting. And he is an accountant. So that what was found there was not that unique or different and certainly as Peat Marwick said, not enough to justify firings on the basis of that. Then I wanted to ask you, if you are now familiar with what is happening in the Travel Office, I mean are they doing well? Is the management all in order?

Mr. WATKINS. I can assure you, Congresswoman, that when I left the White House in July—June 1994, that I did not get back involved. I'm not familiar with what goes on at the Travel Office. I should inform you that from the reports that I had and documents that I submitted, there were savings over the period from May 1993 to June 1994 to the press from the operations of the White House Travel Office, over what previously had been.

Mrs. MORELLA. Well, you know, I have a report which I don't think you have seen, a GAO report, it is a draft actually, looking at the Travel Office now. And it states, however, from January 1995 through August 1995 Travel Office staff performed no bank reconciliations because other tasks were given a higher priority. And immediately prior to our review, the Travel Office reconciled all outstanding bank statements and found deposits totaling $200,000 that had not been entered into its checkbook.

So you have gone through six directors there and I guess what I am saying to you, even though I realize you extricated yourself from that completely, that, hey, they ain't doing so well since the

firings for so-called mismanagement. Would you not agree on the basis that I read to you?

Mr. WATKINS. I would think I would disagree, Congresswoman. As I recall, and I can't give you the precise number, but there was a GAO report I believe that said out of 20 some odd things they looked at, and all but 3 or 4 had been performed, and, you know, it was operating well. I think that—I think that was a 1994—May or June 1994, GAO report.

Mrs. MORELLA. My understanding is that GAO has stated that they could not substantiate any information from May 1993 to January 1994.

Mr. WATKINS. I'm not aware of what you're referring to.

Mrs. MORELLA. And I think one of the recommendations they have is this concept of putting aside some money such as what Billy Dale did, whether you want to call it a slush fund or not. So all of this gets back to my point that this was not honestly done. If these people were to be fired to make way for somebody else, so be it. But to say it was done on the basis of gross abysmal mismanagement, is just not accurate.

Mr. WISE. Mr. Chairman? Mr. Chairman? Parliamentary—I guess it is a parliamentary inquiry of the Chair.

I don't want to in any way restrict what the gentlelady is trying to get out and all facts should be out here. She did refer to a draft report by the GAO. It is my understanding if it is a draft report that it has not been—the final issue, issuance has not been made, it is not a public report.

However, given the fact that at least part of it has been at least introduced, brought up, I would just assume at this point, ask unanimous consent to introduce the whole part, in which as Mr. Watkins notes, or maybe he was referring to an earlier report, it notes that the Travel Office had developed policies and implemented procedures during the period of January 1995 through August 1995 to address all but three of the criteria. And then goes on to discuss those three. But I think that if we are going to get into the GAO report, we ought to get into it in its entirety.

Mr. CLINGER. The GAO that is referred to, has been at the White House for their comment for now 30 days. And they have yet to respond with their comments. And the reason that it has not been issued was to await their comments, at which time the final draft—the final report is issued.

Mr. WISE. As I recall, obviously I am not in the majority any more, but as I recall what is the normal, I thought it was a 30-day comment period. Or is it 15 days?

Mr. CLINGER. It is 10 days, would be normal; extraordinary would be up to 30 days. It has been 30 days.

Mr. WISE. That is the quickest I could get one out of the Bush administration.

But at any rate, having noted that, but as long as we put this thing out here, I would assume and I would ask consent that not only the report, but ultimately whatever reaction the White House does be made a part of the record. Otherwise we don't have the full text before us and it is hard for the committee to reach decisions.

Mr. CLINGER. Without objection, so ordered.

Mrs. MORELLA. There is also, though, as I mentioned, the black hole period of time, Congressman, where GAO could not substantiate any information from May 1993 to January 1994.

Mr. WISE. Well, that black hole is fine. I am just dealing with this black hole, which is not as yet published.

Mrs. MORELLA. I think we could put it in the record.

Mr. WISE. I would also ask at the same time, and I would assume the Chair would do this anyhow, that the White House's comments ultimately, when coming, ultimately be made a part of the record.

Mr. CLINGER. Be part of the record, without objection.

[The information referred to follows:]

UNITED STATES GENERAL ACCOUNTING OFFICE,
WASHINGTON, DC,
January 23, 1996.

The Honorable William F. Clinger, Jr.,
Chairman, Committee on Government Reform and Oversight,
House of Representatives.

DEAR MR. CHAIRMAN: In May 1994, we reported to the Congress on issues related to the White House Travel Office.[1] We identified and used 29 specific criteria to evaluate the financial management and procurement operations of the Travel Office and stated that as of April 1994, the Travel Office had developed policies and implemented procedures consistent with 20 of the criteria and had begun, or agreed to take, action on the remaining 9.

In September 1995, you requested that we (1) follow up with the Travel Office on the status of the 29 financial management criteria and (2) review the financial statement audit of the White House Travel Office Press Fund for calendar year 1994, which was performed by an independent public accounting firm. This letter summarizes our follow-up work at the Travel Office and our review of the 1994 financial statement audit. We earlier briefed you and your staff on our work, and we also testified on this matter before your committee in October 1996.[2]

We found that the Travel Office had developed policies and implemented procedures during the period January 1996 through August 1996 to address all but 3 of the 29 criteria. For those three, we found that the Travel Office had not within its stated 16-day requirement, (2) paid vendors within its stated 46-day requirement, and (3) performed bank reconciliations regularly. The 29 financial management criteria and the Travel Office's related compliance status as of April 1994 and August 1996, are listed in enclosure 1. On January 18, 1996, the White House provided a response to a draft of this letter. The response, which is enclosure 2, refers to an excerpt from our May 1994 report, which we have included as enclosure 3. Enclosure 3 lists the Travel Office's compliance with the financial management criteria in May 1993 as observed by KPMG Peat Marwick, a public accounting firm. KPMG addressed 26 of the 29 criteria, and concluded that the Travel Office did not have adequate procedures in place for 19 of the 25.

Tichenor & Associates, the independent accounting firm responsible for the 1994 financial audit of the Travel Office Press Fund, found that the Fund's financial statements were reliable in all material respects. Our review of that audit disclosed no instances in which the firm did not comply, in all material respects, with generally accepted auditing standards.

SCOPE AND METHODOLOGY

In performing our work, we interviewed White House officials, Travel Office staff, representatives of news organizations, and the public accounting firm officials responsible for the 1994 audit. We also reviewed written documentation of Travel Office policies and procedures; observed administrative and recordkeeping activities; performed a detailed review of the trip files for 7 of the 33 trips between January 1995 and August 1995 (6 of which were selected randomly and 1 of which was chosen because of its complexity); analyzed receivable and payable aging reports, general ledger reports, and other internal accounting records; reviewed two drafts of a 1996 internal oversight study performed by staff in the White House's Office of Ad-

[1] *White House: Travel Office Operations* (GAO/GGD94–132, May 2, 1994).
[2] *White House Travel Office Review* (GAO/T-GGD–96–33, October 24, 1995).

ministration, Office of Management and Administration, and Office of the Chief of Staff; reviewed the financial statement auditors' working papers, including planning, testing, and reporting documents; and reviewed the 1994 financial statements, related notes, and management letter. The Travel Office had not prepared auditable financial statements covering the period May through December 1993, and we did not review any transactions from that period. As we stated in our May 1994 report, the Travel Office had made improvements in its day-to-day operations between June and October 1993, but stringent internal control procedures to assure sound financial management had not been fully implemented when we finished our work in April 1994.

We conducted our review from September 26 through October 17, 1996, in accordance with generally accepted government auditing standards.

TRAVEL OFFICE PROCEDURES COMPLY WITH 26 CRITERIA

We found that the Travel Office had developed policies to address all 29 financial management criteria and, during the period January through August 1995, it had implemented procedures addressing 26 of them. For example, we found that the Travel Office continued to identify and record all trip related costs, correctly allocate those costs to its customers, maintain a system of billings and receipts, and apply receipts to the appropriate outstanding bills. In addition, the Travel Office had completed actions that had been planned or were underway at the time of our orginal review. For example, the Travel Office's financial statements for calendar year 1994 were audited and future annual audits are planned. The Travel Office also expanded its written policies, procedures and manuals; developed written position descriptions that establish clear lines of authority and provide for a segregation of duties; and began production of required financial reports, including reports on the Travel Office's financial position, operations, and cash flows.

TRAVEL OFFICE PROCEDURES DO NOT COMPLY WITH 3 CRITERIA

The Travel Office had not implemented its procedures related to three criteria. First, although customers were to be billed within 15 days of trip completion, both our original and recent reviews indicated that the Travel Office generally fell short of that goal. Of the seven trips we reviewed, only one was billed within 15 days. The remaining trips were billed within 18 to 90 days, with the average being billed within 38 days. Timely billings are particularly critical for the Travel Office because it does not have working capital with which to cover travel related costs—the Travel Office must bill its customers and collect amounts due before it can pay its vendors. The Travel Office has stated its commitment to improving its billing practices; however, it faces several obstacles, including a lengthy process for accumulating relevant costs and manually allocating those costs to all customers.

Second, while the Travel Office's stated policy is to pay its vendors within 45 days of the invoice date, both our original and recent reviews showed that the Travel Office rarely followed its policy, particularly for large bills such as airline charter and phone service costs. We selected 14 vendors from the trip files we reviewed and found that only 2 had been paid within the requisite period—7 had been paid between 67 and 106 days after the invoice date, and 6 bills were still outstanding from trips made in April, May, June, or July of 1995. Because the Travel Office lacks working capital, late billings to customers or late remittances from customers result in late payments to vendors. White House officials recognize that the Travel Office needs to have working capital so that it can pay its vendors promptly. Officials are currently considering several options for obtaining working capital, including seeking an appropriation, adding a surcharge to customer bills, or requiring customers to prepay certain travel costs. We believe that without working capital, the Travel Office will continue to pay some of its bills late.

Third, the Travel Office had a policy requiring monthly reconciliations of its checkbook balance with the cash balance reported by its bank. As of April 1994, we found that staff were performing the reconciliations as required. However, from January 1995 through August 1995, Travel Office staff performed no bank reconciliations because other tasks were given a higher priority. Immediately prior to our review, the Travel Office reconciled all outstanding bank statements and found deposits totaling $200,000 that had not been entered into its checkbook. These funds were all owed to vendors who had previously furnished goods and services for press trips. White House officials informed us that future monthly reconciliations will be performed as required.

OTHER OBSERVATIONS

While performing our work, we identified three areas in which the Travel Office would benefit from changes in its operations. At the conclusion of our work, we shared our observations with Travel Office staff who indicated their intention to address these areas.

First, the Travel Office's accounting system does not automatically link its cost collection and allocation activities to its general ledger. Currently, Travel Office staff must manually reenter data from a spreadsheet program into the general ledger—a process that takes time, increases the opportunity for errors, and delays billings to customers.

Second, the Travel Office maintains two press funds, one for trips taken before 1994 and one for trips taken in 1994 and later. The Travel Office accounting system, however, does not readily segregate the two funds and Travel Office staff must therefore expend significant effort to prepare financial statements and other reports that accurately reflect the separate funds.

Third, the Travel Office Press Fund financial statements do not provide a detailed breakout of the types of revenues collected and expenses incurred, for example, air transportation, ground transportation, catering, and phone service. Also, the statement notes would be more informative if they included a more detailed discussion of the Fund-related activities and costs not reported in the financial statements. For example, Travel Office staff, office space, and utilities directly support the Press Fund but are not charged to the Fund or discussed in the notes to the financial statements. Further, the financial statement audit would be more informative if it was conducted in accordance with generally accepted government auditing standards rather than commercial standards, which were used on the 1994 audit. Government standards provide for additional reports on internal controls and compliance with laws and regulations.

Please contact me at (202) 512–9489 if you or your staff have any questions about our work.

Sincerely yours,

DAVID L. CLARK,
Director, Audit Oversight and Liaison

ENCLOSURE I

Status of Financial Management Criteria Implementation in the White House Travel Office

Category/Criteria	GAO Assessment April 1994	GAO Assessment August 1995
Administrative guidelines:		
Written policies and procedures	Revised and expanded (May 1994).	Procedures in place
Segregated duties; lines of authority clearly communicated.	Revised and expanded (May 1994).	Procedures in place
Periodic audits	Planned (Dec. 1994)	Procedures in place
Oversight and guidance	Procedures in place	Procedures in place
Procurement of goods and services:		
Customers' needs determined	Procedures in place	Procedures in place
Goods and services acquired competitively	Procedures in place	Procedures in place
Documented agreements or written contracts	Procedures in place	Procedures in place
Accumulation and allocation of costs:		
System to identify and record all costs	Procedures in place	Procedures in place
System to determine costs to be recovered	Procedures in place	Procedures in place
System to provide accurate data for billing	Procedures in place	Procedures in place
Billing practices:		
Billings prepared timely	Backlog eliminated (May 1994)	Do not always comply with procedures
Payment due date identified	Procedures in place	Procedures in place
System to maintain history of billings and receipts.	Procedures in place	Procedures in place
System to apply receipts to appropriate outstanding bills.	Procedures in place	Procedures in place
System to track money owed and produce collection letters for overdue accounts.	Procedures in place	Procedures in place

Status of Financial Management Criteria Implementation in the White House Travel Office—Continued

Category/Criteria	GAO Assessment April 1994	GAO Assessment August 1995
Cash management:		
Vouchers reviewed and approved before payment.	Procedures in place	Procedures in place
Procedures to prevent duplicate payments	Procedures in place	Procedures in place
Payments made timely	Backlog eliminated (June 1994)	Do not always comply with procedures
Receipts deposited on the day received or next business day.	Procedures in place	Procedures in place
Small receipts accumulated and deposited weekly.	Procedures in place	Procedures in place
Adequate internal controls for security of funds.	Procedures in place	Procedures in place
Periodic bank reconciliations	Procedures in place	Do not always comply with procedures
Financial reporting:		
Transactions accurately recorded and disclosed in financial reports.	Procedures in place	Procedures in place
General ledger to classify, summarize, and report financial data.	Procedures in place	Procedures in place
Subsidiary ledgers to provide detailed information, and are periodically reconciled.	Procedures in place	Procedures in place
System for reports	Planned (July 1994)	Procedures in place
Report on Financial Position	Planned (July 1994)	Procedures in place
Report on Operations	Planned (July 1994)	Procedures in place
Report on Cash Flows	Planned (July 1994)	Procedures in place

ENCLOSURE II—COMMENTS FROM THE WHITE HOUSE

THE WHITE HOUSE,
WASHINGTON,
January 11, 1996.

Mr. Gene L. Dodaro,
Assistant Comptroller General,
Accounting and Information Management Division,
General Accounting Office,
Washington, DC.

DEAR MR. DODARO: We have reviewed the draft of GAO's proposed letter on the White House Travel Office. Our only comment relates to the chart that you have attached to your letter, which evaluates the Travel Office according to the 29 criteria developed by GAO. This chart compares the Travel Office's performance in April 1994 and August 1995.

Although the April 1994 and August 1995 comparison certainly demonstrates the Travel Office's steady progress, it tells only part of the story. As you know, in May 1993 the auditing firm of KPMG Peat Marwick conducted a review of the Travel Office. You summarized KPMG's conclusions in your May 1994 report, White House: Travel Office Operations, under the heading "KPMG Found Numerous Weaknesses," and prepared a chart identical in format to the chart in your draft letter (see pp. 31–33). According to your summary, KPMG found that the Travel Office in early 1993 complied only with a small fraction of the 29 criteria. As you stated, "our work showed that KPMG addressed 25 of the 29 criteria we identified," and that "the White House Travel Office did not have adequate procedures in place that would satisfy 19 of the 25" (p. 31).

Only by comparing the May 1993 results—6 out of 25 criteria addressed—with the August 1995 results—26 out of 29—can a true picture of the Travel Office's progress be painted. For that reason, we request that you add a column to your comparison chart to incorporate the summary of the KPMG observations you presented in your May 1994 report at pages 32–33. A photocopy of those pages is attached.

Thank you for your assistance in this matter.

Very truly yours,

JODIE R. TORKELSON,
Assistant to the President for Management and Administration.

ENCLOSURE III

KPMG Observations Related to Criteria GAO Identified

Category/Criteria	KPMG Observations May 1993
Administrative guidelines:	
Written policies and procedures	None
Segregated duties; lines of authority clearly communicated	None
Periodic audits	None
Oversight and guidance	None
Procurement of goods and services:	
Customers needs determined	None
Goods and services acquired competitively	None
Documented agreements or written contracts	None
Accumulation and allocation of costs:	
System to identify and record all costs	None
System to determine costs to be recovered	Not tested
System to provide accurate data for billing	None
Billing practices:	
Billings prepared timely	Some procedures in place
Payment due date identified	Not tested
System to maintain history of billings and receipts	None
System to apply receipts to appropriate outstanding bills	Some procedures in place
System to track money owed and produce collection letters for overdue accounts	Some procedures in place
Cash management:	
Vouchers reviewed and approved before payment	None
Procedures to prevent duplicate payments	Not tested
Payments made timely	Not tested
Receipts deposited on the day received or next business day	None
Small receipts accumulated and deposited weekly	Some procedures in place
Adequate internal controls tor security of funds	Some procedures in place
Periodic bank reconciliations	Some procedures in place
Financial reporting:	
Transactions accurately recorded and disclosed in financial reports	None
General ledger to classify, summarize, and report financial reports	None
Subsidiary ledgers to provide detailed information, which are periodically reconciled.	None
System for reports	None
Report on Financial Position	None
Report on Operations	None
Report on Cash Flows	None

Source: GAO analysis of KPMG data.

Mr. CLINGER. I now would recognize the gentleman from New Mexico, Mr. Schiff.

Mr. SCHIFF. Thank you, Mr. Chairman.

Mr. Chairman, I first again have to, even though it is, I know, becoming very repetitious here, just have to again address the question of why we are here, and I think under other circumstances, we wouldn't be here. If the—if it was a fact that the Clinton administration discharged these workers either on the stated reason that they had a legal right to do so, and no reason to justify it to anyone else, I think this would be over.

If they did it on—truly on the reason that mismanagement was of such a high level that they had to discharge all the employees, I don't think we would be here. But I think it is becoming more and more clear that the real agenda was to substitute political friends for people who are not political friends, to use any device necessary to make that be the public case, and then not to be forthcoming when the Congress begins to examine this matter, when the media examines the matter. It is not the Congress that produced some of these memos years later. It is not the Congress

which has certain writings in these memos, which I certainly believe are truthful on the part of Mr. Watkins, which appear to contradict current statements made by people in the administration.

We simply aren't inventing this. It is here and it is before us and it is before the American people, and they will read about it, even if they can't necessarily see and hear it contemporaneously, and I think that point had to be made.

Mr. WAXMAN. Will the gentleman yield to me?

Mr. SCHIFF. I yield to the gentleman from California.

Mr. WAXMAN. Even if we concede that point, which I don't, but let's say they didn't tell the truth, they wanted to fire people in the Travel Office for a different purpose, what's wrong with that? What is the wrongdoing?

What is the illegality? What is the reason we are all here that would cause him to spend $100,000 on attorneys' fees, this committee to spend untold thousands of dollars? What is—where is the beef?

Mr. SCHIFF. If I can reclaim my time?

It is in a couple of places. The first is the administration has no right to sully the reputation of people in order to accomplish a political goal. If they want to change the political complexion of their own office, they have a right to do so and they should just say that is what——

Mr. KANJORSKI. Will the gentleman yield?

Mr. SCHIFF. I would like to finish my statement, if I could.

Second of all, they have no right to, in my judgment, misuse the role of law enforcement, in a number of instances, in order to further accomplish that goal. Further and finally, then I will be glad to yield, I feel that when the media and the Congress start looking into this, we get statements that contradict each other. It is my understanding that our First Lady—and politics aside, all Americans want to have a great deal of personal respect and pride in our First Family. I share that, whether the First Families are Democrats or Republicans or Independents.

But unfortunately, the First Lady's current statement that she may have been misinterpreted as wanting to see the Travel Office employees fired, is contradicted in about half a dozen different places in these different memoranda that we now have from Mr. Watkins.

Mr. KANJORSKI. Will the gentleman yield?

Mr. SCHIFF. And I want to say that is what is keeping this going and that is what is wrong here.

To the gentleman from Pennsylvania, I yield.

Mr. KANJORSKI. I thank you.

For the record, if I may, I think Mr. Watkins, if I may ask a question of Mr. Watkins; didn't you testify that you did not receive any instructions to fire from the First Lady?

Mr. WATKINS. The First Lady did not instruct me, did not direct me to fire the Travel Office people.

Mr. KANJORSKI. He said she didn't instruct.

Is there another witness that I missed over lunch that was here?

Mr. SHAYS. You should read his own memos.

Mr. WAXMAN. Will the gentleman yield?

Mr. KANJORSKI. If I may now——

Mr. SCHIFF. Mr. Chairman, regular order.

Mr. CLINGER. The gentleman from New Mexico has the time. Reclaiming his time.

Mr. SCHIFF. I just want to keep it orderly here, and I will yield again to the gentleman from Pennsylvania.

Mr. Watkins testified in military terms, a chain of command. And I have been in the military, too. I don't know what happened to Vice President Gore in that chain of command, but nevertheless, there was a chain of command, the President to the First Lady, to Mr. McLarty, to Mr. Watkins. Anyone who has been in the military knows that if someone higher than you in your chain of command says I want to see this happen, it is going to happen. And to say, well, they didn't order it may be technically true, but they made it very clear what they wanted done, and if they are in your chain of command and they sign off on your officer efficiency report, I can guarantee that is exactly what is going to happen, and it did happen.

Mr. KANJORSKI. Will the gentleman yield?

Mr. SCHIFF. I yield to the gentleman from Pennsylvania.

Mr. KANJORSKI. That is the point I am trying to make to my friend from New Mexico, that is the three-prong nature of government, not only the Congress, not only the executive but the judiciary. And March 25, 1994, a grand jury of the United States, made up of private American citizens, were sworn in and convened for more than 15 months, until October 6, 1995, listened to all the testimony and evidence presented by a U.S. Federal Attorney's Office. And at that time, they rendered a two-count indictment against the director of this office.

This wasn't done by the executive branch. This was not by the Congress or by Mr. Watkins. This was done by independent, sworn American citizens under our system. That is the system of the three branches of government.

Mr. SCHIFF. If I can reclaim my time because it is almost expired here.

It is true there was an indictment against one member of the Travel Office. It is also true he was found not guilty. Once the proceedings went from an ex parte government-only presentation to a full trial with the right to cross-examine witnesses, at that point, which is the trial, Mr. Dale was found not guilty.

Notwithstanding that, the issue before the Congress is the management of Government and all of the evidence is that anything that might have been amiss in the management of the Travel Office was a facade to be used to—to obtain a political result. And when the press and when the Congress get on to that, there is damage control aplenty to try to deny that, even though I think it is become increasingly obvious.

Mr. WAXMAN. Will the gentleman yield?

Mr. DAVIS. Will the gentleman yield?

Mr. SCHIFF. I yield to Mr. Davis.

Mr. DAVIS. Let me make one point.

I practiced law for many years. I think the gentleman from Pennsylvania practiced law. I think it is a fact a grand jury indicts a man, and which the prosecuting attorney asks them to do that. It is also automatic in the grand jury, it is an ex parte proceeding,

as the gentleman recognized, and once it went to a jury it took less than 2 hours to acquit. This——

Mr. WAXMAN. I ask unanimous consent the gentleman be given one additional minute.

Mr. SHAYS. I object.

Mr. CLINGER. The objection is heard.

I now recognize the gentleman from Massachusetts, Mr. Blute.

Mr. WAXMAN. Will the gentleman from Massachusetts yield to me for 30 seconds?

Mr. BLUTE. For one comment.

Mr. WAXMAN. My question is where does all this lead?

If all this were true, and I don't agree it was true, what do the Republicans want to do?

Do you want to indict these people for crimes? There are no crimes committed. You want to scold them? Scold them. But why do you have to have hearing after hearing and make them have to pay money for lawyers' fees?

Mr. BLUTE. Reclaiming my time, and I'll touch on that.

The fact is that the Congress has an independent responsibility to provide oversight over the executive branch in its activities and that is what this Congress is doing. And as we look at these documents, you know, I think you come to the conclusion, who is kidding who?

Mr. Watkins, any reading of your memo, or memos, clearly leads one who is honest and straightforward to say, well, it looks like Mr. Watkins was pressured from above up to and including the First Lady to fire the White House Travel Office employees. There is no other indication there.

And I think—I am somewhat surprised that my colleagues in the minority are seeming to indicate there aren't serious questions here. There are serious questions, with the inappropriate use of the FBI, for example, by White House officials to try to frame up a Travel Office.

Mr. CLINGER. Will the gentleman yield?

Mr. BLUTE. I yield to the Chairman.

Mr. CLINGER. I just want to make a point here.

Mr. Watkins, were you reprimanded as a result of this activity?

Mr. WATKINS. Yes, I was.

Mr. CLINGER. Were there other members of the White House staff that were?

Mr. WATKINS. Yes, there were.

Mr. CLINGER. That were reprimanded?

Mr. WATKINS. Yes, sir.

Mr. CLINGER. How many others?

Mr. WATKINS. Four in total, I believe.

Mr. CLINGER. Did you feel that reprimand was justified?

Mr. WATKINS. No, sir.

Mr. CLINGER. And why didn't you feel it was justified? Because you were acting—were really acting as a result of strong suggestions that you take the action that you did.

Mr. WATKINS. I would say that I felt that my actions in the White House Travel Office, as I report in this memo, to the criticism of the travel—of the office—I mean, of the White House inter-

nal travel management review, that I did not do anything to deserve a reprimand.

Mr. CLINGER. And there was nothing in the White House, the final investigation, that would have in any way suggested that the First Lady had any role in this or needed to be reprimanded for precipitating this action, was there, no mention of her?

Mr. WATKINS. In the Management Review?

Mr. CLINGER. Yes.

Mr. WATKINS. No.

Mr. BLUTE. Thank you, Mr. Chairman.

We also have a situation where the White House staff was not forthcoming to various investigatory agencies, like the GAO. We have testimony from Nancy Kingsbury who said this about the White House:

As a practical matter, we depend on and usually receive candor and cooperation of agency officials and other involved parties and access to appropriate records. In the case of this review, we experienced adequate or even excellent access and cooperation in some areas, such as from the Internal Revenue Service. However, if the constraints and limitations on access and cooperation we experienced with the White House were commonplace in our work, it would be difficult indeed for us to provide the Congress in a timely manner with the information it needs to carry out its authorization, appropriation and oversight roles under our Constitution.

It seems to me that that is a very serious issue that we are dealing with here, the lack of honesty and candor from the White House.

I would like to ask Mr. Watkins about Todd Stern's memo again, because this really, I think, gets to the heart of the matter. He said:

The problem is that if we do any kind of report and fail to address these questions, press jumps on you wanting to know answers, while if you give answers that aren't fully honest, that is, in reference to Hillary Rodham Clinton, you risk hugely compounding the problem by getting caught in half truths. You run risk of turning this into a cover-up.

And I would ask Mr. Watkins, what is Mr. Stern referring to? He obviously had some concern that White House officials were going to not be forthcoming, were not going to address the right questions, were not going to be fully honest, and perhaps would even give half truths and perhaps would even risk a cover-up. That is serious stuff as far as this Congressman is concerned, and I would wonder if you would respond to that.

What was Mr. Stern concerned about White House officials failing to address, what questions?

Mr. WATKINS. Congressman, I have no firsthand knowledge. The first I had ever seen with that was in a press—excuse me, was in a press thing this week.

Mr. BLUTE. This is consistent with what is in your memo. You were very strongly indicating the role of the First Lady in the pressure that you felt, that there would be hell to pay if you didn't act on her beliefs that the White House Travel Office should be fired. This is consistent, this is almost a description of what your memo said I am not going to do. I am going to come clean, I am going to vent my soul, or whatever reference you said.

You clearly indicate time and time again in your memo that the pressure you felt emanated from the First Lady's office, either through Vince Foster, through Harry Thomason or even directly to

you in person. And today we seem to hear you moving around a little bit and not saying that that was true.

I want to ask you one last question: Did you feel as your memo states over and over and over again, that the pressure on you to fire the White House Travel staff through Harry Thomason, through Vincent Foster and directly from the First Lady was emanating from the First Lady?

Mr. WATKINS. Congressman, as I stated earlier, I felt that there was pressure that—from above from the First Lady about taking swift and prompt action, decisive action. There were comments that I received from the two—two of the gentlemen that you mention that the Travel Office should be fired; Travel Office staff.

Mr. BLUTE. As someone who is obviously very intelligent when—when Members of Congress and investigators start to see little elements from a number of sources who independently write that that was where the pressure was coming from, aren't we—shouldn't we, if we are fairly intelligent, come to the conclusion that that is exactly where the pressure was coming from?

Mr. WATKINS. Congressman, I am not—I'm not positive that the First Lady knew the pitched pressure that was coming. It's like you—you tell a story today and you tell it to someone else and it's translated differently as it goes on from person to person. The pressure I felt, I heard was coming from the First Lady, was conveyed to me primarily through Harry Thomason and Vince Foster, that's correct.

Mr. CLINGER. The gentleman's time has expired.

The gentleman from Virginia.

Mr. DAVIS. Mr. Martini has a plane to catch. If you would recognize him first and then me, I will be next.

Mr. CLINGER. I'm sorry.

Mr. MARTINI. Thank you, Mr. Chairman.

And I thank my colleague for yielding.

Mr. Watkins, I think you had some idea of my impressions in terms of your memorandum, but let me tell you how I get there, and we have all been touching on it, but I would like to go through this very quickly, each one of these lines.

First of all, is there anything in this memorandum that you would want to change right now? In other words, that is not factually accurate or truthful?

Mr. WATKINS. I'm not aware of anything in here that's not truthful or factual.

Mr. MARTINI. And you have referred just a moment ago, once again you said that you did not receive instructions from Hillary Clinton to fire anyone. I think your exact quotes a moment ago in the testimony was you did not—she did not instruct you to fire anyone. That was in response—that was your testimony.

Mr. WATKINS. She is—that is correct, she did not instruct me to fire.

Mr. MARTINI. If you would, you refer to actions taken, to take actions in your memorandum, but yet nowhere in this memorandum does it suggest any action but termination of these employees; is that correct?

Mr. WATKINS. I'm sorry.

Mr. MARTINI. When you referred to actions, swift and immediate action being taken here in your memorandum, nowhere is a suggestion of any other action but the termination of employees.

Mr. WATKINS. Swift and decisive action to make a determination to do something—and yes, I think the conclusion would be is to get rid of the—or terminate or fire the White House Travel Office employees.

Mr. MARTINI. If you would just bear with me.

Mr. WATKINS. May I correct one statement?

Mr. MARTINI. Sure.

Mr. WATKINS. You asked me about some factual things. This is a draft. There are two or three points, like I was in Little Rock, not Memphis, and those kinds of things. Substantively, this memo is correct.

Mr. MARTINI. And let me tell you how I get to the impression and maybe I have been a little more direct than some of my colleagues, but after reading this memorandum and hearing you today, I am absolutely of the opinion that clearly the pressure came from the First Lady, yet you seem to try to be vague on that, although you are getting a little clearer as we ask you more questions.

But it would seem to me the pressure came from the First Lady and then to Mr. McLarty and went obviously down to you. And as the Chairman elicited from you before, you have had experience with her, and I don't get a sense in your drafting of this memo that you felt you had any choice but to fulfill the wish of the First Lady; is that correct?

Mr. WATKINS. My response in this memo is to basically address the points of the management review, the criticism of me and—and my office and others and the fact—that to point out that there was extreme pressure to take action and to fire the White House Travel Office employees. That pressure I felt was from the First Lady.

Again, I did not, in my conversation with the First Lady on the 14th of May, feel direct pressure from her. It was imposed upon me by others, as I'm saying. In our conversation, I did not feel that.

Mr. MARTINI. In that one conversation, did you feel pressure, when according to your own notes, and you put it in quotes, Harry says his people can—let me see.

Mr. WATKINS. You can't read my writing. I think that says "save money."

Mr. MARTINI. "Do things better, save money, et cetera. And besides, we need those people out, we need our people in, we need the slots."

Now, if you were sitting up here as I am, how else would you interpret that but direct pressure from Hillary Clinton to fill—to get those slots——

Mr. WATKINS. In that conversation she did not direct me to fire them. There was a—Congressman, we have been many, many times, there was a decision to reduce the White House staff, the entire White House by 25 percent. Part of that reduction would have come from the White House Travel Office. That's what Mrs. Clinton referred to when she said we need the slots, and what we were talking about is that we need to make it—to—to remove some people and make it a more efficient operation, we need the slots.

Mr. MARTINI. Mr. Watkins, your memo, the one that we have been addressing all day——

Mr. WATKINS. Right.

Mr. MARTINI [continuing]. Was made in response to a report that you were uncomfortable with and didn't agree with in the handling of this firing, correct; yes or no?

Mr. WATKINS. Yes.

Mr. MARTINI. And you felt you were unjustly singled out and that the full facts were not part of the original memo on the handling of this issue; correct?

Mr. WATKINS. Correct.

Mr. MARTINI. And this was your attempt to put the responsibility where it belonged; correct?

Mr. WATKINS. It was an attempt on my part to provide a detailed response to the internal management review.

Mr. MARTINI. But it was an attempt to put the responsibility where it belonged; yes or no?

Mr. WATKINS. To put—yes.

Mr. MARTINI. Do you think you adequately did it with this memo?

Mr. WATKINS. That would be for whatever conclusions of the reader.

Mr. MARTINI. Well, with the conversation that you did have with the First Lady when you said—I guess I am troubled by this because I think we are playing semantics now, and I think part of the reason the White House is in the predicament they are in right now and why we are uncomfortable and many people are, is because of the play on words that is going on here right now.

As recently as yesterday, how do I reconcile in my mind the comment by the First Lady yesterday, that perhaps you misunderstood her concerns. Now, if you were sitting up here, in view of your memo and your testimony today, is that a fair characterization of what your memo reflects?

Mr. WATKINS. As what?

Mr. MARTINI. You misunderstood her concerns?

Mr. WATKINS. That I misunderstood her concerns?

Mr. MARTINI. That's what she said yesterday. She said that perhaps my aides misunderstood my concerns.

If you would like the direct quote, I will read it to you.

Mr. WATKINS. Please.

Mr. MARTINI. It is——

Mr. CLINGER. The gentleman's time is expiring. If you can come up with a question——

Mr. MARTINI. Yes, I can, Mr. Chairman.

Just in a radio interview Hillary Clinton said, "mere expression of concern could have been taken to mean something more than it was meant." I mean, that is her response now to the revelation of the Watkins memo being public.

Mr. WATKINS. I think that expression—I don't know what the First Lady meant by that.

Mr. CLINGER. The gentleman's time has expired. The gentleman from Virginia.

Mr. DAVIS. Thank you. Thank you very much. You were writing this memorandum, the one that we have been discussing, basically

as an answer to a reprimand you and three other employees had received, and I understand that.

Do you believe—well, the First Lady said in her GAO responses that she did not know the origin of the decision to remove the White House Travel Office employees. Is this credible to you?

Mr. WATKINS. Her——

Mr. DAVIS. She did not know the origin of the decision to remove the White House Travel Office employees. She had been talking to Mr. Thomason, there had been numerous discussions with many of your superiors and with you directly?

Mr. WATKINS. I don't—I don't know what she meant by that.

Mr. DAVIS. I don't, either. The—you had noted a minute ago in your conversation with Mr. Martini that there was pressure to get rid of slots because there was a pressure to downsize. But you also note in here we need these people out, we need the slots, that she quoted or your recollection is that we need our people in. That doesn't square with the kind of the slots. Could you explain how that goes? It goes we need these people out, we need our people in and then we need the slots. Can you——

Mr. WATKINS. I think it does.

Mr. DAVIS. OK.

Mr. WATKINS. If you have seven people in the office, you reduce it to three or four more efficient and you could put people that you wanted to put in in those slots. But there would be a reduction of slots.

Mr. DAVIS. How many people do they have there today? Do you know?

Mr. WATKINS. I'm not sure what it is today.

Mr. DAVIS. I think it is five plus three?

Mr. WATKINS. When I left—I do not know what it is today.

Mr. DAVIS. I understand it is nine, five slots and four detailees, where you had seven before. That is today and that was then and I understand. Why—now, were Harry Thomason's rumors also a part of the origin of your decision to remove the employees?

Mr. WATKINS. No, sir.

Mr. DAVIS. You don't think so?

Mr. WATKINS. I don't think so.

Mr. DAVIS. All right.

Mr. WATKINS. No. I mean Harry—Harry made a telephone call to me in April, talked about this. I—I told him at that time that Catherine Cornelius was in the Travel Office, that I would call her and make her aware of the telephone call from him and for her to keep her eyes and ears open.

Mr. DAVIS. OK. Why did you remove all seven employees? Weren't only two of the employees handling the money?

Mr. WATKINS. We had been—I had been told by others that most of the assignments in the Travel Office were interchangeable, they all did, sort of covered for each other, excuse me. And some took trips, some stayed in, some did this, some did that, but pretty much the roles within the Travel Office were interchangeable.

Mr. DAVIS. So kind of guilt by association.

Mr. WATKINS. No, sir. That the whole operation was a pretty sloppy operation, and I told them that when I fired them that I had—you know, it was not—it was not a thing of pleasure for me,

that—but I thought that the best thing, the best way to do it was to fire them and for them to leave immediately rather than hang around and do something.

Mr. DAVIS. Mr. Watkins, in point of fact, if you had had your way without the pressures from above you would have taken a little more time and given these people other opportunities to serve in Government; wouldn't you?

Mr. WATKINS. I think given the—and certainly in hindsight, and we all have 20/20 in hindsight, but it would have been to let it go, make a determination, complete a review of the office, see how it could operate more efficiently and make the reduction from seven to three or four and outsource. My original idea was to outsource some of the commercial travel aspects of it.

Mr. DAVIS. Do you know who decided to bring the FBI in?

Mr. WATKINS. As I stated earlier today, my recollection is there was a conversation one day, look, there have been these allegations by Mr. Thomason and Miss Cornelius primarily of funny things happening in the Travel Office, how do you conduct an investigation of this kind? Where do you go? The White House did not have, in my office we certainly didn't, did not have an audit capability, and it was suggested that perhaps the FBI could be called to ask them how to do it.

Mr. DAVIS. I got two comments in your notes, one that I am sure you are familiar with. One is, you asked the question what are the negative political consequences if no criminal violations? And another is, FBI would not ordinarily get in but—could you try to explain those?

Mr. WATKINS. I have answered the FBI thing a couple of times. You want me to do it again?

Mr. DAVIS. What about the—what are the negative political consequences if no criminal violations?

Mr. WATKINS. Well, I think if you bring in and do a management—I mean do a financial review and when the allegations have been such and you're—that there are wrongdoings in the—financial wrongdoings in the Travel Office and then there is nothing found and the closeness of the people in the Travel Office with the press, there would be a very negative story. That is, as I recall, was my thinking at the time.

Mr. DAVIS. Let me ask, you note you were being vague and protective in this memorandum about this and the First Lady has said she has had no role in the decision to terminate the employees. What were you being vague and protective about? Was it perhaps her role and the role of higher ups?

Mr. WATKINS. I think basically it was the feeling, the intense feeling of pressure to act and do something that had not been. And, again, this related to the questions asked me by the White House internal review people and they really didn't follow up and ask any questions about the First Lady's involvement.

Mr. DAVIS. Thank you very much. And finally, the First Lady said she has a general recollection of having conversations with Mr. Foster and Mr. McLarty about the Travel Office but she had a number of conversations pressing them for action. Didn't she have concern on this?

Mr. WATKINS. I'm—I'm not aware of the number of conversations she had, Congressman.

Mr. DAVIS. Well, they were relayed to you, were they not, from Mr. McLarty and Mr. Foster?

Mr. WAXMAN. Point of order, Mr. Chairman. This man has been here for over 5 hours answering a lot of the same questions over and over again. I think he has done it in a very forthright way, but it seems to me at some point this is getting to be a little ridiculous.

Mr. CLINGER. The gentleman's time has expired.

Mr. SHAYS. Mr. Chairman, I would like to——

Mr. DAVIS. Could I just get an answer? I noted that in your own memorandum you noted Mr. Foster and Mr. McLarty had both represented to you that they had had conversations with the First Lady and that she had urged you to go ahead and resolve this issue.

Mr. WATKINS. Decisive action, yes.

Mr. DAVIS. All I am saying is she says she has a general recollection. But I asked you, weren't there in fact from what you could ascertain through your conversations with others that she in point of fact had quite a number of conversations pressing them for action?

Mr. WATKINS. I think she had more than one conversation, yes.

Mr. WAXMAN. Mr. Chairman, I would like the gentlemen, Mr. Shays, to note that none of us objected to the extended-beyond-the-time questioning.

Mr. CLINGER. The gentleman from Ohio, Mr. LaTourette, is recognized for 5 minutes.

Mr. LATOURETTE. Thank you, Mr. Chairman.

Mr. Watkins, just a little cleanup in this round. In response to earlier questions you indicated the question as, was the decision made to terminate prior to Peat Marwick; no. Asked if the First Lady's action was reasonable in light of Peat Marwick; you said yes. Do you remember those series of questions?

Mr. WATKINS. Reasonable in light.

Mr. LATOURETTE. Of the Peat Marwick report.

Mr. WATKINS. In light of the Peat Marwick——

Mr. LATOURETTE. In light of the Peat Marwick report.

Mr. WATKINS. Yes.

Mr. LATOURETTE. The question I have, and it goes back to your handwritten notes of May 31st, it would appear to me anyway, and one of the reasons I continue to have trouble is the pressure or the perceived pressure from the First Lady or the higher ups or whoever is in this chain of command, started before Peat Marwick was even in the picture. And by that I reference the notes that are in the left-hand margin of the May 31st notes that indicate that you had a meeting with Thomason and Cornelius. You talked about it.

You then make the observation, and I know you have talked about this before, that Mr. Thomason comes back into your office, says he bumped into the First Lady and she says that she is ready to fire them all that day, and that day is May 12, 1993; is that not right?

Mr. WATKINS. Uh-huh.

Mr. LATOURETTE. The Peat Marwick, the decision according to your same notes and previous testimony that we have had from

Mr. Podesta was the decision to engage and Peat Marwick wasn't until May 13.

Mr. WATKINS. Thursday.

Mr. LATOURETTE. The next day.

Mr. WATKINS. That's correct.

Mr. LATOURETTE. The day after this conversation took place with Mr. Thomason. And my question to you is again the First Lady is sort of one removed in all of this, but being under oath, is it your recollection today as we sit here in this conference room after you have been here for 5 hours that in fact Mr. Thomason came into your office on May the 12th and did he utter those words to you relative to his understanding?

Mr. WATKINS. That is my recollection.

Mr. LATOURETTE. OK. So obviously we need to get Mr. Thomason here to ask him. We need to go up the food chain eventually. But as far as you are concerned, that is true, that Mr. Thomason said to you that according to him the hearsay was the First Lady wants them done that day, the 12th, before, the day before Peat Marwick was engaged, is that——

Mr. WAXMAN. Will the gentleman yield? What difference would it make if you had him here and he said he did it? He doesn't say he did it, but what so if he did?

Mr. LATOURETTE. I won't yield because that question has been addressed to the gentleman three or four times.

Mr. WAXMAN. Your questions have been addressed to the witness three or four times.

Mr. CLINGER. The gentleman's time is in the hands of Mr. LaTourette.

Mr. LATOURETTE. I thank the Chair.

The other question I have has to do with questions that Mr. Mica was asking you and that is the predication issue of the FBI and you are aware, I assume, from the report prepared by Mr. Podesta that there were some discussions about the issue of predication. The FBI said we just can't come in and investigate something unless it is a Federal problem, such as missing Federal money. They need predication.

Mr. WATKINS. Mr. LaTourette, my involvement with the FBI actually was little or no involvement. My—I stepped out of the picture after the decision was made to contact the FBI on Thursday to find out how that—what kind of investigation we should have. That was done by counsel's office and I stepped out of that picture. So I'm very unaware of any specifics of it.

Mr. LATOURETTE. I understand. But you are aware from—I assume you reviewed the Management Review report because you had some difficulties with it which caused you to write the memo that has you here today.

Mr. WATKINS. Yes. Correct.

Mr. LATOURETTE. You are aware that predication was required before the FBI got involved; you knew that. You are also aware, are you not, that that predication was based upon the observations of Mr. Thomason and Miss Cornelius, were you not? That was the extent of the allegations to that point on May the 12th and 13th.

Mr. WATKINS. Mr. Thomason, Ms. Cornelius and Mr. Marten's memo, I believe.

Mr. LATOURETTE. Right. That goes—again that goes back to Mr. Mica's observations. You in your memo indicated that I put no stock in most of what Cornelius told me except to the degree it was factual. And you also made an observation that in light of her self-interest and her tendency to exaggerate—did you have that opinion of Miss Cornelius back in 1993?

Mr. WATKINS. Well, there were comments by Miss Cornelius about lake homes and race horses and lavish living and I didn't take great stock in that. I didn't know. Those were just observations and I didn't consider them founded.

Mr. LATOURETTE. OK.

Going to the Management Review, you said in response to the last question by the last member that they didn't—they being Mr. Podesta and I believe the other gentleman who was involved in that, Todd——

Mr. WATKINS. Stern.

Mr. LATOURETTE. —Stern. That they didn't follow up with you about the First Lady's involvement; is that correct?

Mr. WATKINS. That is correct.

Mr. LATOURETTE. OK. I would like to ask you a couple other questions on that. Did they talk to you at all and did they mention to you whether or not you had contact with Mr. Thomason on this issue, the Management Review team?

Mr. WATKINS. What issue?

Mr. LATOURETTE. On the issue of the dismissal of the Travel Office staff.

Mr. WATKINS. I don't recall specifically those specific questions on that, Mr.—Congressman LaTourette.

Mr. LATOURETTE. Did they ask you about Patsy Thomasson?

Mr. WATKINS. I'm sure Patsy had a role in lieu of my—in lieu of me and my being absent on that Friday, Patsy coordinated the review by Peat Marwick.

Mr. LATOURETTE. And how about Vince Foster, did they ask you about conversations you might have had with Vince Foster relative to this issue?

Mr. WATKINS. I don't recall specifically the people they questioned me about, no, sir, at this time.

Mr. LATOURETTE. Did you feel any compulsion to volunteer any of the information that is now contained in this memo that has brought you here today?

Mr. WATKINS. I felt no compulsion to comment more than I did in the Management Review.

Mr. LATOURETTE. And would that be sort of the civilian version of don't ask, don't tell? Is that where we were with this investigation?

Mr. WATKINS. It could be if you don't ask the question, I'm not going to help you with the answers.

Mr. LATOURETTE. And is that what you defined in your memo as being vague and protective?

Mr. WATKINS. That's correct.

Mr. LATOURETTE. Thank you very much. I yield back the balance of my time.

Mr. CLINGER. Thank you for yielding back.

We have now completed two full rounds. I am appreciative of the fact that Mr. Watkins has been here for some time. I am reluctant to start a third round. On the other hand, I am also reluctant to muzzle anybody who has additional questions. I would like to have some indication if there is interest in going another full round or if there are one or two members who do have additional questions we could yield to them.

Mr. Shays, Mr. Kanjorski. You all want three, everybody?

Mr. WAXMAN. Mr. Chairman, may I——

Mr. CLINGER. I was going to hopefully——

Mr. WAXMAN. May I suggest that this man has been here all these hours. This was supposed to have been a bombshell hearing and we have put him through 5 hours and haven't gotten a cap gun in terms of anything out of this hearing. I just think it is—we ought to be reimbursing him for his attorneys' fees just to go through this whole long hearing today. Two rounds seems to be adequate.

Mr. CLINGER. I just suggested if there were members—I did not want to in any way shut off anybody who had questions. I asked if there were—any of them had questions, Mr. Shays, and only three of you did.

Mr. SHAYS. With the Chairman's permission, I would like to address the comments that were just made.

Mr. CLINGER. The gentleman from Connecticut.

Mr. SHAYS. I have listened all day to you gentlemen on that side of the aisle complaining about process and not asking intelligent questions. And I remember that when I was on the HUD hearing I was very willing to go after, for the sake of uncovering information, Republicans. I would like the same courtesy from that side of the aisle.

It is an absurdity to suggest that a hearing that started at 11, that is 15 after 4, with a half hour break, when we had HUD investigations that lasted 8 hours with the same witness being on—Mr. Waxman, I have attended hearings you have conducted. You have been merciless——

Mr. KANJORSKI. Will the gentleman yield?

Mr. SHAYS. I want to say I respectfully request we have a third round.

Mr. KANJORSKI. Mr. Chairman, I have a request. I think we should have a hearing tomorrow. I think we ought to give this lawyer an opportunity to have at least another $10,000 fee.

Mr. CLINGER. Mr. Watkins just fell off his chair.

The committee will come to order. I will recognize the gentleman from Connecticut for 5 minutes.

Mr. SHAYS. Thank you.

Mr. Watkins.

Mr. WATKINS. Yes.

Mr. SHAYS. With all due respect, I don't know if you are a bad guy or good guy. I don't know if you are taking the hit or if you are trying to get rid of the hit and put it on someone else, because I read your memos and your memos say not my fault, someone else's fault. And I hear your testimony today, and not their fault, maybe I took it. I just want to know. I want to know ultimately whether you told the truth in this memo when you said, I think

all this makes clear that the Travel Office incident was driven by pressures for action originating outside my office. Now that is direct pressure and so on. If I thought I could have resisted those pressures, undertaken more considered action and remained in the White House, I certainly would have done so. Now, is that a true statement?

Mr. WATKINS. I—I believe that to be true, yes.

Mr. SHAYS. Now, if you believe that to be true, you are saying to us that if you didn't fire the White House staff, you might have lost your job, correct?

Mr. WATKINS. This was a draft version of——

Mr. SHAYS. I don't care about the draft version. I just want to know if it is correct or not.

Mr. WATKINS. I think—I would not say that I fully expected to lose my job, and let me—let me see what it says because I don't have it. There—yes, would I be criticized, yes; did I think there would be hell to pay, I think that's——

Mr. SHAYS. No, no. I just want to know if you want to retract what is in the memo. I just want to pin you down to the truth, whatever that is.

Mr. WATKINS. I have answered totally the truth, Congressman, and I continue.

Mr. SHAYS. On both sides.

Mr. WATKINS. I don't think so.

Mr. SHAYS. No, Mr. Watkins, you have.

Mr. WATKINS. I don't think so.

Mr. SHAYS. I want to know if this is the truth. You said, "If I thought I could have resisted those pressures, undertaken more considered action and remained in the White House, I certainly would have done so." Is that a true statement? Do you want to retract it or keep it?

Mr. WATKINS. Congressman, I think that my statement here, obviously with the pressure that I felt from outside my office on the White House—on the firings of these individuals, that there would have been a great price to pay and perhaps my removal from the White House.

Mr. SHAYS. Thank you. But after the Secret Service incident, it was made clear that I must forcefully and immediately follow the direction of the First Family. Is the First Family Mrs. Clinton and Mr. Clinton?

Mr. WATKINS. The First Family is Mr. Clinton and Mrs. Clinton.

Mr. SHAYS. OK. I want to know what that statement means. After the Secret Service incident, it was made clear that I must forcefully and immediately follow the direction of the First Family. What was their direction?

Mr. WATKINS. I think their—their—it was not as much direction as disappointment that we had not been—that we were too nice and too naive.

Mr. SHAYS. I want to know what "follow the direction" means. It is your statement, it is not mine. Follow the direction of the First Family. What was the direction of the First Family? And you are under oath. What was their direction?

Mr. WATKINS. In what instance, Congressman?

Mr. SHAYS. In the instance of this memo.

Mr. WATKINS. But after the Secret Service incident, it was made clear that I must more forcefully and immediately follow the direction of the First Family.

Mr. SHAYS. And what was that, fire them?

Mr. WATKINS. The direction of the First Family was to take swift and responsive action. That was—that was the——

Mr. SHAYS. That wasn't all of it; was it? What were the specific requirements that you had from more than one person——

Mr. WATKINS. According to the best of my notes and then my review, it was that we should reduce the travel—we should get our people in and get those people out. That and——

Mr. SHAYS. What does that mean? It means fire them. If you get them out, it doesn't mean—what do you do? It means get rid of them; doesn't it?

Mr. WATKINS. That is what it means.

Mr. SHAYS. Now, you didn't just have one discussion with the First Lady with this. You also had a telephone conversation.

Mr. WATKINS. No, sir.

Mr. SHAYS. No telephone conversation with the First——

Mr. WATKINS. You're not allowing me. I had a telephone conversation with the First Lady. I never had a face-to-face conversation with the First Lady about this incident.

Mr. SHAYS. Did she want you to keep the travel staff?

Mr. WATKINS. Her—her comment was—and let me explain to you the progression of the telephone conversation. I gave her a report, a verbal report, on the findings of Peat Marwick and she—she responded to that and she said, well, Harry tells me that we can save money and that we can—and we need to get our people in there——

Mr. SHAYS. Who is Harry?

Mr. WATKINS [continuing]. And get those people out.

Harry Thomason.

Mr. SHAYS. OK, Harry Thomason wanted the business, correct?

Mr. WATKINS. No.

Mr. SHAYS. No, he didn't want the business?

Mr. WATKINS. I don't think so, Congressman. I don't think it was ever—I think his partner inquired one time and he——

Mr. SHAYS. Excuse me, I just want to remind you you are under oath.

Mr. WATKINS. I understand that I am under oath.

Mr. SHAYS. You are saying you do not have any knowledge of his wanting the business.

Mr. WATKINS. I think that Harry Thomason in my opinion——

Mr. SHAYS. I don't want your opinion. I want to know what you——

Mr. WAXMAN. Point of order, Mr. Chairman.

Mr. WATKINS. How else can I answer?

Mr. SHAYS. I want to clarify my question. My question is, do you have any knowledge of Mr. Thomason wanting this business? I want to be very clear because other people have been indicted by a question like this. I want to know the answer to that question.

Mr. WATKINS. I am going to answer it the way I want to answer it, Congressman. I am confident that Mr. Thomason, and certainly

with my involvement in it, would not have gotten the business. I don't think——

Mr. SHAYS. That is not what I asked.

Mr. WATKINS. Let me finish.

Mr. SHAYS. But then I want an answer to my question.

Mr. WATKINS. Because of Mr. Thomason's involvement—I think he's made—I think he's stated this before, did not have a precise interest in getting the business for his company or for himself.

Mr. SHAYS. I went a yes or no answer to this question. Do you have any knowledge of Mr. Thomason wanting this travel business?

Mr. WATKINS. There was a memo that Mr. Martens said that he had asked—what I am aware of—Billy Dale about the Travel Office charters and could he, his company, which Mr. Thomason has an interest in, could they bid on that, those charters. Mr. Dale said no, not interested, have no interest in—we—we like the way we are doing business. So yes, there was an inquiry by Darnell Martens, who has a company that Mr. Thom—that Mr. Thomason has an interest in that—that did inquire about the business.

Mr. SHAYS. So the answer to the question is—I just want to know what the——

Mr. WAXMAN. Regular order. Regular order.

Mr. SHAYS. Answer is, does he have knowledge——

Mr. WAXMAN. Mr. Chairman, regular order.

Mr. CLINGER. The time has expired.

Mr. SHAYS. But I just want an answer to the question.

Mr. WAXMAN. Regular order, Mr. Chairman.

Mr. SHAYS. Mr. Waxman, may I have an answer to the question?

Mr. WAXMAN. I object.

Mr. SHAYS. Why do you want to hide it? Why don't you want him to answer the question?

Mr. CLINGER. The gentleman's time has expired. The gentleman from California.

Mr. WAXMAN. Mr. Chairman and Mr. Shays, I am willing to have an investigation when there is something to investigate. I am willing to be tough when there is something to be tough about. I am willing to do it no matter what the partisan implications may be. We have taken one man and subjected him to 5 hours of people trying to get him to say something other than what he has said consistently throughout this whole period of time. He has not said, even though you would like him to, that the First Lady ordered him to fire those people who worked at the Travel Office. He has not said that. You have tried, the Republicans over and over and over again, to badger him into saying it. He hasn't said it. We know of no illegality. We know of no wrongdoing in firing those people. The suggestion was that perhaps their reputations were being sullied.

Mr. Watkins, did you sully their reputations? Let me strike that. Their reputations were sullied by your investigation and where you found that there were some mismanagement activities. You had that verified by Peat Marwick doing their review, if not an audit. The IRS did a review as well and they seemed to find—was it the IRS that did some review and found that there were some problems?

Mr. WATKINS. I'm not aware of that.

Mr. WAXMAN. You found problems in the review of the Travel Office operations. You therefore had, what, if anybody thought there was a reason to fire them, a cause to fire them, they were fired.

Now, if you—somebody on the Republican side is saying there wasn't sufficient cause, you didn't need cause. You found cause. Now they are saying it wasn't sufficient cause. If you didn't fire them, you would be criticized because there was cause to fire them. You fired them and now you are criticized for having fired them. You are in an absolutely no-win situation and you are here for 5 hours being badgered into saying something that the Republicans want you to say, and it strikes me as not for the purposes of the proper activities of this committee to investigate an oversight over proper Government functions but simply for partisan purposes.

Now in terms of oversight, Mr. Podesta from the White House decided to do some review of the procedures that led to the firing of the White House Travel Office staff, didn't he?

Mr. WATKINS. That's correct, yes, sir.

Mr. WAXMAN. And he was critical of the administration, in fact critical of you in a way that you felt was unfair; isn't that correct?

Mr. WATKINS. That's the reason for this memorandum, yes, sir.

Mr. WAXMAN. So the memorandum was written after you were criticized.

Mr. WATKINS. Yes.

Mr. WAXMAN. In fact, even reprimanded by the White House.

Mr. WATKINS. Yes, sir.

Mr. WAXMAN. Looks like the White House is tougher on their own people than I hear Republicans in the House being on their side of the aisle when it comes to firing people that had done nothing wrong, worked diligently for many years for the House of Representatives. It looks like the White House was a lot more concerned about conflict of interest if there was no potential of it than I hear from my Republican friends when we had some guy admittedly sitting in the office of Newt Gingrich who had a financial interest in the telecommunications bill, and who was a big financial giver to the campaigns of the Republicans.

I just am aghast at the way this whole thing has been played out today. We were told this was going to be the smoking gun. This was the big bombshell hearing. We were going to nail Hillary Clinton. That is the purpose of this hearing today. And the Republicans have failed to do it. But even if they had, I still come back to, and what have they accomplished?

Can we order her to be indicted? Can we order her to be divorced? Can we order anybody in the White House who the Republicans think didn't do fairly to admit their guilt? Is that what all this is about? If there is wrongdoing, let's deal with it. But to have hearing, after hearing, after hearing seems to me an abuse of the powers of this committee, and to subject you to all these hours of badgering of the same question over and over again seems to me an abuse of our powers as well.

I have time and I would like to yield to people who might want to ask some questions on my time, Democrat or Republican. We ought to wrap up this hearing at some point. Anybody want some

time to ask some questions? Is there more to ask? Is there more that hasn't been said? If not, then I——

Mr. CLINGER. If the gentleman would yield.

Mr. WAXMAN. I yield.

Mr. CLINGER. First of all, just to make the point that this Chairman has never said that this was going to be the bombshell hearing. We are trying to get at the truth. What we're trying to get is a final closure for this investigation, which I would remind the gentleman from California I have been trying to do every since this administration came to power.

I was blocked from that for 2 years when I did not have the subpoena power. I now have the subpoena power, and now we're trying to get the answers that we could have had 2 years ago.

My question to Mr. Watkins is did you turn your notes of May 31st over to the White House for any—any reason or any investigation? Did the notes of the 5–31——

Mr. WATKINS. To the best of my knowledge, my notes were turned over.

Mr. CLINGER. To——

Mr. WATKINS. To the White House, yes, to my files, to Podesta at the time of the—at the time of——

Mr. CLINGER. They were turned over.

Mr. WATKINS. Yes, sir.

Mr. KANJORSKI. Will the gentleman yield?

Mr. WAXMAN. Please.

Mr. KANJORSKI. Mr. Chairman, since we're wrapping up and I was pretty harsh on Mr. Watkins when I started this, and I still am harsh, and I think you made a terrible error, Mr. Watkins. It is certainly your right under the rules of the House not to be photographed and on television. I have listened to you for 5 hours. I think you've been a hurt soldier in the field. A lot of stuff fell on your back, and I appreciate that and $100,000 legal fees to try and clear your reputation and name is not something easy to take unless you're quite independently wealthy, and I assume you're not.

I think you made a bad judgment. Today your testimony would have been very helpful for you and this whole problem, if C–SPAN and CNN and all the national networks could have shown that this stupid, dumb hearing in the middle of a silent week should never have been held. And maybe it would have been the best reason in the world why another stupid, dumb hearing on this subject won't be held in the future.

But probably because of not having that opportunity, we're going to be back here next week, the following week and months into the future, as I said, till the drop-dead date of some time in November of this year. But I want to withdraw any insults that I may have made to you; I feel bad about it.

Mr. WATKINS. Thank you.

Mr. KANJORSKI. You have been a very forthright witness. I hope that anyone in the future that has called, you would recommend that they do testify openly with the television running so that forthrightness can be witnessed in the body language of the witnesses. Thank you.

Mr. CLINGER. The gentleman's time has expired. The gentlelady from Maryland have any questions?

Mrs. MORELLA. Mr. Chairman, I would yield my 5 minutes of time to the gentleman from Connecticut, Mr. Shays.

Mr. SHAYS. Mr. Watkins, I would like to repeat my question to you. I'd like to know if you had any knowledge of Mr. Thomason wanting the White House travel business?

Mr. WATKINS. I have to answer it again this way, Congressman Shays. Part of the report from Peat Marwick was the fact that there was no competitive bidding on the charters. That was one of the things that we obviously implemented immediately. If Mr. Thomason had expressed any—and I'm—he would have gone through a competitive bidding process.

Mr. SHAYS. But that doesn't answer the question. Mr. Watkins, it is a very fair question. You either know of it or you don't know of it.

Mr. WATKINS. I——

Mr. SHAYS. You have the right to tell me you simply refuse to answer the question.

Mr. WATKINS. Mr. Shays—Congressman Shays, I told you I'm aware of a memo from Darnell Martens which obviously he—he said later, I'm told, not first hand to me, but I understand that Mr. Martens said that he really wasn't interested in the travel business for himself, but wanted to see how others of his friends in the industry might proceed toward getting the Travel Office business.

Mr. SHAYS. I'm going to ask you the question. Do you have any knowledge of Mr. Thomason having an interest in the White House travel business?

Mr. WATKINS. Mr. Thomason did not tell me, I am not aware——

Mr. SHAYS. We know one thing: He hasn't told you. Did he tell anyone else and did anyone else share information? I have a right to ask this question. Did anyone else tell you that Mr. Thomason had an interest in the White House business?

Mr. WATKINS. I don't recall any specifics, Congressman Shays, about that. I—I have spoken——

Mr. SHAYS. I am not asking you for specifics. I'm asking if you have any——

Mr. WATKINS. You're really not being fair.

Mr. SHAYS. I am being very fair.

Mr. WATKINS. No, you're not.

Mr. SHAYS. You are avoiding the question.

Mr. WATKINS. No, I do not recall. I told you about the Martens memo. There was a memo that I got a copy of that said something about Harry Thomason some time in March talking about some kind of government business. I don't recall, I do not recall the specifics.

Mr. SHAYS. But your testimony——

Mr. CLINGER. Will the gentleman yield to me?

Mr. SHAYS. Yes, but I want the time back.

Mr. CLINGER. The question I have is weren't you aware, however, that because the First Lady had imparted that Mr. Thomason had indicated he could do this cheaper and more efficiently and therefore he could——

Mr. WATKINS. I am totally confident the reference to that is that Mr. Thomason knew people, which he said he did. Penny Sample was a person that Mr. Thomason recommended that he could bring

in people to do this in a better manner and save money. That—that reference to what the First Lady was talking about, I'm sure, Mr. Chairman, was—that was the reference, that is what was meant.

Mr. CLINGER. You didn't imply that that meant that Mr. Thomason was trying to get the business.

Mr. WATKINS. Absolutely not.

Mr. SHAYS. So Mr. Thomason said he could find some people that could run this business better.

Mr. WATKINS. And he did. He brought Miss Sample in. That's—that's——

Mr. SHAYS. Was she connected in any way to World Wide Travel?

Mr. WATKINS. Not to my knowledge.

Mr. SHAYS. Did World Wide Travel have to take a bid on the White House business?

Mr. WATKINS. No, sir. Because the reason no one took a bid is because had we gone out before the firings and gotten bids over a process, we didn't know how fast anyone could work. We knew World Wide had done a good job in the campaign——

Mr. SHAYS. The answer is, no, they didn't bid. Why did World Wide Travel not have to bid? Why did you say Mr. Thomason would have had to bid, why the double standard?

Mr. WATKINS. For charters. Every charter was later bid, every charter. Every charter was later bid. World Wide Travel.

Mr. SHAYS. Did World Wide Travel——

Mr. WATKINS. May I answer?

Mr. SHAYS. Sure.

Mr. WATKINS. World Wide Travel was done in an on-interim basis. It was explained to them that way that within 90 to 120 days there would be a bidding process and they could compete and they could submit a bid if they chose. And that is what was communicated to World Wide. They were—they were going to have to help us out an interim period of time——

Mr. SHAYS. Have you submitted that document? Is there any document that says that they would have to do that?

Mr. WATKINS. I think it's very common knowledge among—I think Miss Thomason would know——

Mr. SHAYS. With all due respect, is there anything in writing that would say that? You know, these are basic kinds of questions.

Mr. WATKINS. I don't know. I cannot address and give you a specific memo or anything. But it was certainly my intent to do that.

Mr. SHAYS. So it was your intention to do it though there may not be nothing in writing that says that.

Mr. WATKINS. The whole purpose, though, I would have been foolish not to do that. I would have been an idiot not to do it when the findings of Peat Marwick and one of the great criticisms was that there was no bidding.

Mr. SHAYS. Did you have any connection with World Wide Travel?

Mr. WATKINS. I do not have a connection with World Wide Travel.

Mr. SHAYS. When you were running it as the deputy campaign manager—was that your position? Were you in charge of—the business manager, was that your position?

Mr. WATKINS. I was the deputy campaign manager, yes.

Mr. SHAYS. And you hired World Wide Travel?

Mr. WATKINS. I hired World Wide Travel.

Mr. SHAYS. Now, World Wide Travel had a very interesting process. They, in fact, issued a press release saying how they helped the Clinton administration. How did they help the Clinton administration?

Mr. WATKINS. When Mr.—when Congressman Mica first asked that, I said I didn't recall and then I was thinking about it later. As I—my best recollection is for the first time ever in a Presidential campaign, what had happened before—and it was a serious cash-flow drain—the press would travel, they would get a bill for that travel, and I don't remember—again, I apologize, but I don't remember the particulars. And then it would go through their accounts.

Mr. SHAYS. They basically would bill them up front. You would have a float. You would have money before you were actually billed, correct?

Mr. WATKINS. Well, may I answer?

Mr. SHAYS. Sure.

Mr. KANJORSKI. Mr. Chairman, regular order. May he answer the question?

Mr. SHAYS. I have to ask the question. The question is——

Mr. WATKINS. I heard your first question.

What had always happened before is you would take a trip, they would be billed, it would go through accounts payable and unfair to the campaign, to any campaign, it would be 30, 60—60, 90 days before the press paid for their travel. We got an agreement, or World Wide did, got an agreement and was negotiated with the networks primarily and the others fell through that they would bill any——

Mr. SHAYS. Is the bottom line though, sir——

Mr. WAXMAN. Regular order.

Mr. KANJORSKI. Regular order.

Mr. SHAYS. I want an answer to the question.

Mr. CLINGER. Time has expired. The gentleman from Pennsylvania—the gentleman from West Virginia.

Mr. WISE. Mr. Watkins, I am going to give you a momentary rest just because I think that in light of the questions by Mr. Shays, I think, to see whether you disagree with these statements that are in—I read first in the memo of May 17, 1993, from David Watkins to Mack McLarty in which on the second page you're talking about our interim plan, interim, I presume meaning temporary, and you note, you talk about how you're going to reorganize the White House administrative office to include a travel section. It will be handled by a to-be-hired, experienced financial manager who would oversee administrative personnel, and I quote the third paragraph from the bottom, "Temporarily World Wide Travel will take over travel services as we examine the permanent outsourcing this function to a travel agency. We will develop procedures to request bids for this business."

Mr. WATKINS. Thank you very much, Congressman, for bringing that to my attention.

Mr. WISE. If I continue to quote from your memo, the undated memo, the memo that you wrote that's been the subject of so much

discussion, which is not a clear designee who it goes to, on the bottom of page 5, these, as I understand it, are your thoughts, most direct thoughts to yourself as well as anyone else: "We had recent experience with World Wide and based on that experience I knew we would rely on them for confidentiality in handling and preparing to handle the Travel Office business until the business could be subject to full and open competition." Is there anything in your memory that disputes what you apparently wrote in these memos?

Mr. WATKINS. No. Thank you.

Mr. WISE. World Wide Travel was to be a temporary means to get over this and then put it to full and open competition which had there been full and open competition prior to your arrival?

Mr. WATKINS. There had not been, no, sir.

Mr. WISE. The second point I would like to make, Mr. Watkins, actually not directly dealing with you, but Mr. Shays talked about the HUD investigation in which incidentally Mr. Shays and Mr. Lantos, I think, conducted themselves in a bipartisan manner about as well in an oversight proceeding as I have ever seen. I participated in a few of those hearings. They were in them at depth.

I think the significant difference between the HUD hearings and here, one being that the HUD hearings involved millions of dollars of taxpayers' dollars and bad practices and all sorts of—all sorts of problems. And also the HUD hearings resulted in numerous indictments, convictions as I recall, and so I just don't see the similarity whatsoever.

My third question is a more direct question, and we're going back over the same thing, Mr. Watkins. But the statement has been made about the pressure you felt. In the context of pressure, is part of the pressure that you felt the fact that you're sitting in 6 months into an administration in a very sensitive situation where you've got allegations about to come out about the Travel Office operations, you've got a study, an initial study that suggests to you all kinds of financial problems that you describe in the memo as abysmal, and finally you've got the FBI suggesting that at least there's grounds to go forward with a criminal investigation. Is that creating pressure for you?

Mr. WATKINS. Yes, sir.

Mr. WISE. Thank you very much. I would yield to the gentleman from Pennsylvania who may get his own time later, but if he has additional questions.

Mr. KANJORSKI. If I may correct the record of my friend from West Virginia, it was 4 months into the administration, wasn't it, when all this happened, just 120 days?

Mr. WATKINS. It was May, yes, sir.

Mr. KANJORSKI. Not 6 months in. This is a new administration. This was an administration that had been out of office, a party that had been out of office in the executive branch for 12 years. You didn't have many experienced hands on board.

Mr. WATKINS. Well, I used to describe it as a business with no business plan and no inventory.

Mr. KANJORSKI. That's right.

Mr. WATKINS. We had to create them both.

Mr. KANJORSKI. The fact of the matter is when you sat around the office with some of the leading staff to decide who do you call

when you have a problem, do you have a local policeman or do you have the Justice Department, and nobody really knew because this was something new; isn't that correct?

Mr. WATKINS. That's correct.

Mr. KANJORSKI. We are sort of trying you in a hard way because you're 120 days into a new job with a new administration, and the history was repeat and particularly if I will refer my friends on the other side to the indictments and some of the arguments here, this indictment didn't go back prior to 1989 not because there weren't situations prior to 1989, but because the statute of limitations barred it from going back beside 1989. But the history in the White House in the Travel Office had highly suggestible problems that these prosecutors presented to a grand jury for 15 months, and that grand jury decided they were sufficient in weight to warrant a criminal trial.

This wasn't a story that was created, and it was some 15, 18 months into the administration when the grand jury sat and finally the trial began of this. It wasn't—certainly in the beginning, it had no relationship to the willingness to replace—there was no need to have a criminal prosecution. I am not going to repeat what could have happened.

Mr. WISE. Could I reclaim my time? I appreciate your correcting me. I have often found, and maybe Mr. Watkins does too, that the fifth or sixth hour of a hearing, that I get my dates mixed up. So we are in the fourth month instead of the sixth.

Mr. Watkins, going back to the GAO draft report, and as I reviewed it a little more, I note that the GAO noted—and you would not have seen this study, so I am not expecting you to comment on it—that the GAO titles one heading: Travel Office procedures comply with 26 of 29 criteria; that the Travel Office had developed policies to address all 29 financial management criteria, and during the period January through August 1995, it implemented procedures addressing 26 of them, and then they do go into detail on three.

But it sounds to me like the Travel Office had made some progress since the events that we are now describing.

Mr. Chairman, I yield back the balance of my time.

Mr. CLINGER. The gentleman yields back the balance of his time.

I yielded to Mr. Shays, and Mrs. Morella did. Mr. Shays has his own time.

Mr. SHAYS. Mr. Watkins, did you do business with World Wide Travel?

Mr. WATKINS. Today?

Mr. SHAYS. No. When you had your own business, your advertising firm.

Mr. WATKINS. Yes, sir, I did.

Mr. SHAYS. Did World Wide Travel do business with you?

Mr. WATKINS. Yes, sir, they did. I also did business with several other travel agencies.

Mr. SHAYS. OK. Now, there is the—what I want to get—I want to have a clear understanding. I mean my philosophy is, whatever the truth is, so be it. You tell me the truth, and I just want to understand, I just don't want to go around in big circles here.

What I want to know is, what was the—and I won't call it anything other than a practice of World Wide Travel. They billed the press up front, and they claimed that this provided a float to the Clinton administration. What was that float?

Mr. WATKINS. I don't remember, and I can't get into remembering exact details. I will say that early on in the campaign and in any campaign, and I don't even recall whose idea it was; it may have been World Wide's, it may have been someone else's; but there was a tremendous problem about accounts receivable, a lot of dollars out, and so it was the practice, as I can best recall it now, Congressman Shays, and the way it worked is that the networks and the media agreed to pay for their travel on a credit card, I think—and we can have somebody—on a credit card as they took the trip, instead of waiting 30 days to be billed on a normal billing process.

Mr. SHAYS. So you would collect the money up front, the administration?

Mr. WATKINS. As I recall, as the trip was taken, as the ticket was issued.

Mr. SHAYS. OK. But you didn't have to pay that for a period of time.

Mr. WATKINS. Pay to the——

Mr. SHAYS. You weren't billed right away. You did not have to pay. You got the money up front, and you didn't have to pay it for a particular period of time. What did you do with that float?

Mr. WATKINS. I don't recall the particulars of that. I do think that that——

Mr. SHAYS. Let me just ask you this question. You were basically the assistant manager of the Clinton campaign operation. You were the business manager; correct?

Mr. WATKINS. No. I was deputy campaign manager. I ran the business operation.

Mr. SHAYS. So in fact you were in charge of the business operation.

Mr. WATKINS. That is correct.

Mr. SHAYS. The question that I have to you: Is it not true that by charging the press up front, you were able to have a float of money that was available to the campaign, because you did not have to pay the bill when you collected the money?

Mr. WATKINS. I will characterize—I don't recall the particulars, Congressman. I would characterize it this way, that what we did was, we were able to have money earlier and not to have a huge receivable out and not be able to collect and have it penalize us. I don't recall the advantages we had.

Mr. SHAYS. Isn't it true that it would be a gigantic advantage if you charged the people up front but don't have to pay the bill, that you have the money up front?

Mr. WATKINS. A lot of people—I think it is a common practice with credit cards, and I don't recall the specifics of this, but if a ticket is issued, that you are billed at that time. You do that if you call in American Airlines or somebody.

Mr. SHAYS. We are looking for a missing 10-page memo that may show up some day. It is approximately 10 pages in length, that has been described by several FBI agents whom Mr. Kennedy talked

with on May 13. We are interested to know if you had any—if you worked on this memo or if you are aware of this missing memo? Do you have any knowledge of that missing memo?

Mr. WATKINS. I don't know—from your description, I have no knowledge.

Mr. SHAYS. She states—this is Catherine Cornelius—she states in her FBI 302 that you called her into your office on May 12 to ask if it was completed, and she said no. You then told her to get her work together and work on it with Harry Thomason. Mr. Foster says in his notes that he received a Harry Thomason memo.

Did Mr. Thomason do a memo with Ms. Cornelius or vice versa, or did you work on this memo?

Mr. WATKINS. I didn't work on a memo.

Mr. SHAYS. Are you aware of asking Cornelius——

Mr. WATKINS. I have not seen her 302.

Mr. SHAYS. Are you aware of asking her for a memo?

Mr. WATKINS. Yes. I asked Ms. Cornelius for a report when she went to the Travel Office, and I think I can clarify those dates. I asked Ms. Cornelius to prepare a report for me due May 15th on her observations in the Travel Office. I asked her—I asked Harry when he came, Harry Thomason, when he came in, and suggested that there had been these wrongdoings, to talk to Ms. Cornelius——

Mr. SHAYS. On a——

Mr. WATKINS [continuing]. And said that she was doing a memo for me which was due—a report for me, which was due on May 15th.

Mr. SHAYS. Did you ever direct members of your staff to call Catherine Cornelius and suggest that she resign?

Mr. WATKINS. Not characterized that way. I told Patsy Thomasson of my office that the—sometime, and I don't remember, after the firing of the Travel Office, that it would probably be best for everyone if Catherine resigned from the Travel Office and be placed in another position.

Mr. SHAYS. Why would that be best?

Mr. WATKINS. Because of all of the publicity that she was getting, and that the press was giving her a very rough time, and that was the reason for that.

There were—she was getting press every day about being the President's cousin, and it was just something that we thought, if she left the Travel Office, like World Wide had left and Penny Sample was leaving, that it would be completed.

The Travel Office was then at the time under GSA—I mean American Express, the contract by GSA. So I thought it would be best that Ms. Cornelius be reassigned.

Mr. SHAYS. Mr. Watkins, thank you for answering my questions.

Mr. CLINGER. The gentleman from Pennsylvania.

Mr. KANJORSKI. Mr. Chairman, do we have any room for negotiation here? If I surrender some of mine, will you surrender some of yours on your side, and we can let these folks go home?

No, they want to go on. OK. Is that the case? Is that the determination?

Mr. WAXMAN. The gentleman from Florida has already had 15 minutes, as I understand it.

Mr. SHAYS. I yielded my time the first time. I passed.

Mr. WAXMAN. I know. So he had 15 minutes to ask questions. How much more time does he want?

Mr. KANJORSKI. This is on my time. Start that watch going again.

I didn't follow everything that Mr. Shays was talking about——

Mr. WATKINS. If I could have about 2 minutes.

Mr. CLINGER. The witness is excused for necessities. We will recess for 2 minutes.

[Recess.]

Mr. CLINGER. Mr. Kanjorski is recognized for 5 minutes.

Mr. KANJORSKI. Mr. Watkins, I would like to take my 5 minutes. How much on that side is left?

Mr. CLINGER. We have, I believe, 2 more, 10 minutes.

Mr. KANJORSKI. And that is going to be the conclusion? Are we coming back tomorrow?

Mr. CLINGER. That is the conclusion of this hearing. There may be questions that we may want to address to Mr. Watkins at some later time, but that would conclude this hearing.

I am not going to get into quibbling here. We have two more people on our side; you have one person on your side. When we complete that round of questioning, this will be the end of the hearing.

Mr. KANJORSKI. Thank you very much, Mr. Chairman. I appreciate that.

Now, Mr. Shays was making some inquiry about float, and I am a little bit of an expert on float, because I handled about 15 months of the investigation of the Bush White House, and they really had an ideal float in the Bush White House, except it didn't inure the benefit of the Bush White House, it inured the benefit of the Republican National Committee.

What they used to do is put Mr. Bush on the campaign trail and charge their candidates' campaigns, sometimes anywhere from $50,000 to $120,000. It was paid to the Republican National Committee, and then the expenses to the U.S. Government to cover that transportation was determined at first class rate for one passenger, the President of the United States, anywhere in the country, and they usually amounted to somewhere between $1,000 and $3,000, thus putting a profit on each one of those occasions into the Republican National Committee or their campaign committee of well over $100,000, $200,000, and ran into the millions of dollars.

During my tenure as committee chairman investigating the travel expenses of the White House, we tried to go into that in great depth. Someone in the White House who later left there and became a superconsultant and expert for this committee, although now he is not available to us anymore, because he has since retired, Mr. Larsen. Do you recall that individual, Mr. Watkins?

Mr. WATKINS. Yes.

Mr. KANJORSKI. What role did he play at the White House before he became a consultant to this committee?

Mr. WATKINS. He worked in the Office of Administration for a brief period of about a month and retired.

Mr. CLINGER. Will the gentleman yield on that question?

Mr. KANJORSKI. Sure, Mr. Chairman.

Mr. CLINGER. Is it correct to say, Mr. Watkins, that you requested that Mr. Larsen stay on?

Mr. WATKINS. I did request him to stay on, yes, sir.

Mr. KANJORSKI. That he stay on at the White House during the Clinton tenure.

Prior to that, what did he do at the White House? And what role did he play?

Mr. WATKINS. You mean what did he do——

Mr. KANJORSKI. He was in charge of administration, wasn't he?

Mr. WATKINS. Yes.

Mr. KANJORSKI. During the Bush administration, from the period of 1987 or 1988 on.

Mr. WATKINS. As I recall, yes, sir.

Mr. KANJORSKI. And he was the one individual that was responsible for knowing all of the records and providing all of the records and the information for the travel of the White House.

Not to belabor the point, I would actually like to make a request by unanimous consent that the full transcript of the full hearings of the Post Office and Civil Service Subcommittee on travel of the Executive Office of the President held under my chairmanship for a period of 2 years be incorporated into this record——

Mr. SHAYS. I object.

Mr. KANJORSKI [continuing]. So that we may have——

Mr. SHAYS. I object.

Mr. KANJORSKI. I thought, Mr. Shays, you wanted to get to the truth.

Mr. SHAYS. The reason I object, if the gentleman would like to know, is this is just simply your continued cover-up of this issue, and I object.

Mr. CLINGER. The objection is heard.

Mr. KANJORSKI. Mr. Shays, the evidence that I am asking be put in the record is testimony by the Republican Bush administration people. That certainly would not be my cover-up.

Mr. CLINGER. If the gentleman would yield, I would indicate to the gentleman that Mr. Larsen had nothing to do, had no responsibility, as I understand it, for the White House Travel Office. This hearing is——

Mr. KANJORSKI. Well, I can tell you that the—reclaiming my time, you are incorrect, Mr. Chairman. He was in charge of the records and refused to produce those records and spent 18 months stonewalling that investigation.

Now, I guess I am going to leave—we don't have a lot of time here, but I am going to say, let us move back 4 years prior to this occasion, and we would have been in a White House but didn't have Socks, but had a dog, and I forget the name of the dog, but it doesn't matter; everybody had these little things around.

We had a very popular First Lady whom I have a great deal of respect for, and her husband, whom I have a great deal of respect for.

If she had wandered down and met somebody at a party or a good friend of hers called her on the telephone and said, "Mrs. Bush, I think you have some serious problems in some area of the White House where a great deal of money may be missing, misused, or improper activity occurring," I would have been very dis-

appointed if that First Lady wouldn't have either talked to her husband, the President, or talked to his chief of staff or someone in the hierarchy of the White House to say, "Look, I have had a telephone call from a very good friend of mine, or a person I have a great deal of respect for, for their integrity and their loyalty, and they have made me aware of comments or rumors that there is something wrong within the White House," and then a series of memoranda would have started to flow from the chief of staff to the administration officer to the travel or wherever the comment was made.

Would we have been in a congressional hearing under those circumstances?

Mr. CLINGER. You may respond to the request.

Mr. WATKINS. I don't have any response.

Mr. CLINGER. The gentleman's time has expired.

The only comment I would note is that the discussion of changing the personnel of the White House Travel Office occurred long before there were any suggestions of misdeeds in the White House Travel Office. It was really discussed in December, before the administration actually came in power, as I understand it, and there were other discussions in February. So there was a plan to replace the Travel Office before any question of misdeeds arose.

Mr. WISE. Is that a question of the witness? Because I haven't heard that in evidence anywhere. The chairman just made a statement. I would like to know if the witness knows that to be the case.

Mr. CLINGER. Mr. Watkins, were you aware of any statements of mismanagement before April when I believe——

Mr. WATKINS. I don't recall that I was aware of any statements of mismanagement prior to April when Mr. Thomason called me.

Mr. CLINGER. Thank you.

The gentleman from Florida is recognized.

Mr. MICA. Mr. Chairman, thank you. I am not an attorney and I really don't know the difference, I guess, between perjury and not telling the truth. But Mr. Watkins, I have a copy of the FBI, I guess you would call it a 302, your Public Integrity Dale investigation statements.

On page 3 it says:

> During the conversation between Watkins and Thomason in early April, Thomason stated that Darnell Martens, a partner (that would be a partner with Thomason in TRM) had successfully attempted to solicit business with the White House Travel Office through Dale.

Now, you had——

Mr. WATKINS. Unsuccessfully.

Mr. MICA. Yes, I know. But you were asked by——

Mr. WATKINS. I answered Mr. Shays, this is the memo I——

Mr. MICA. If he had any interest——

Mr. WATKINS. I specifically answered that and mentioned Mr. Martens' memo, if you would check back.

Mr. MICA. So you knew that Mr. Thomason had an interest and was soliciting business for TRM, and was a partner with Darnell Martens. It says there was a conversation between Watkins and Thomason in early April and that he stated these things.

Mr. WATKINS. Would you let me answer?

Mr. MICA. Yes. Go ahead.

Mr. WATKINS. The point of the conversation with Mr. Thomason is that Mr. Dale would not entertain the conversation from Mr. Darnell Martens about getting bids or about getting a contract for the White House Travel Office business. He said he was perfectly satisfied with where he was and that he would not entertain a proposal from Mr. Martens.

Mr. MICA. Well, let me ask you now, Cornelius didn't have her report done I guess on the 12th or something like that. On the 12th, May 12, "Thomason went"—I am reading from the FBI report:

Went to Watkins' office and asked him what had been ascertained about the activities in the White House Travel Office. Watkins told Thomason that Cornelius was due to make a report about the activities in the White House Travel Office by May 15th and he should speak with her.

Now, that is the 12th. The FBI was brought in on that same day, before the Peat Marwick report; the FBI was first contacted by the counsel's office on the 12th and asked to come in, that there was mismanagement, and Peat Marwick wasn't ordered until the 13th, according to your handwritten memo. Maybe I am incorrect, and maybe this FBI report is wrong.

Mr. WATKINS. You need to ask the question.

Mr. MICA. Well, where did, where did—OK. Who was—where did you get bad management information? The FBI hadn't been—was contacted on the 12th, so obviously they didn't have anything, and I think they blew you off, or the White House counsel off, on the 12th.

The 13th was when you went to Peat Marwick, and you just said here to another question, you had nothing up to April. You had asked Cornelius to report; you said her report wasn't worth beans anyway, because she was unreliable or exaggerated.

Where is the bad information coming from about the White House Travel Office?

Mr. WATKINS. The information comes, one, from a telephone conversation in April with Mr. Thomason.

Mr. MICA. You just said in April that you didn't have any bad information.

Mr. WATKINS. I don't think that is correct, Mr. Chairman.

Mr. MICA. OK. So in April——

Mr. WATKINS. If I can give you——

Mr. MICA. Where did the bad information come from?

Mr. WATKINS. I got a telephone call from Mr. Thomason in April, the first time I heard; and I think that is what I answered the Chairman. I heard in April from Mr. Thomason about Mr. Martens calling Mr. Dale earlier in the administration and trying to get some——

Mr. MICA. Business?

Mr. WATKINS. Business, yes. And he said something to the effect, others in the charter business know that these guys have been taking kickbacks for years and so on. My response to him was, Harry, Ms. Cornelius, Catherine Cornelius, is now working in the White House Travel Office. I will tell Catherine Cornelius of this telephone conversation and ask her to keep her eyes and ears open. She is doing a report for me that is due May 15th.

Mr. MICA. But you didn't have any information on the 12th, and the FBI is called in on the 12th by the White House counsel; and on the 13th you still didn't have the report, and you said she would have been unreliable. So you went on the word of Mr. Thomason back in April when he was soliciting business from Mr. Dale?

Mr. WATKINS. No, no.

Mr. MICA. And you were involved in the conversation when he disclosed he was a partner in TRM; is that correct?

Mr. WATKINS. The process—I got a phone call from Mr. Thomason in April.

Mr. MICA. Well, Thomason also stated—in his report to the FBI, he said—"he further stated, by terminating the individuals from employment, the result would be favorable news stories showing wrongdoing had been discovered and handled." Did he pitch that to you, or is this a lie in his report? It is in your report, but I guess he must have said this. I am not sure, I am just trying to find out the facts.

Mr. WATKINS. I have been trying to answer.

Mr. MICA. Go ahead.

Mr. WATKINS. Mr. Thomason called me in April and told me of Mr. Martens' call to Mr. Dale earlier, I think February or sometime. Early in the week, sometime in the week of May 10, Mr. Thomason brought me the memo, a memo from Darnell Martens, saying, discussing, describing his call to Mr. Dale about business for the travel—charter business. Then I said—I told Harry to talk to Catherine Cornelius. She was doing a report for me still.

He comes in, Catherine Cornelius and Mr. Thomason come to my office on Wednesday, May the 12th, and talk about these things that Catherine Cornelius has found about bad bookkeeping, petty cash, all of these things. Harry comes back in the afternoon, Wednesday afternoon, says he has bumped into Mrs. Clinton. Mrs. Clinton says we should fire them that day.

I said—we go back, I call Vince Foster; we go have a meeting with Vince Foster. Ms. Cornelius says she has some records and canceled checks and things at home; Mr. Foster asks Ms. Cornelius to go get them. She brings them back to Mr. Foster's office. They are reviewed there, and that is when the FBI is called in, is called, made a call to them.

Mr. MICA. Do you know where those records are?

Mr. WATKINS. I have no idea where those records are.

Mr. CLINGER. The gentleman from Virginia is recognized for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. I am going to try to go quickly.

It has been a long day for you, Mr. Watkins. I would like to direct the committee's attention to the chronology prepared by the staff which outlines the contacts at the highest levels. Harry Thomason was meeting and talking with the President and the First Lady throughout the week leading up to the firings.

Mr. Watkins, did you know Harry Thomason was meeting with the President during the timeframe he was pressing you for action on the firings?

Mr. WATKINS. I did not.

Mr. DAVIS. Excuse me? No?

Mr. WATKINS. I did not.

Mr. DAVIS. Did Mr. Thomason ever mention his conversations with the President about the Travel Office to you?

Mr. WATKINS. I do not recall any conversations——

Mr. DAVIS. Any mention of——

Mr. WATKINS [continuing]. Any mention by Mr. Thomason of any conversation.

Mr. DAVIS. So you don't have any knowledge, general or specific, about Henry Thomason talking to the President about ousting the Travel Office; is that correct?

Mr. WATKINS. That is correct.

Mr. DAVIS. I note that on May 12th at 8:30 a.m., Harry Thomason meets with the President. Shortly after this, Mr. Watkins, you and Mr. Foster were meeting, and Mr. Foster told you the First Lady had interest in this matter, and you just, I think, noted that for the record, is that correct, on May 12th?

Mr. WATKINS. No. We met in the afternoon of May 12th.

Mr. DAVIS. Following this conversation with you, I would note that the record shows that Foster called Webb Hubbell. Next, on May 12, Foster was meeting with Harry Thomason and Catherine Cornelius on the plan for the new operations of the Travel Office.

Mr. WATKINS. On what day, sir?

Mr. DAVIS. May 12.

Mr. WATKINS. Yes.

Mr. DAVIS. Mr. Watkins, this is the same day that the First Lady told you that she wanted the Travel Office fired that same day, correct?

Mr. WATKINS. That was on May 12.

Mr. DAVIS. Then on May 13 Harry Thomason began the morning with the President. Were you aware of that?

Mr. WATKINS. I was not.

Mr. DAVIS. You had no knowledge of him meeting with the President?

Mr. WATKINS. No knowledge, correct.

Mr. DAVIS. Right after this meeting is when, I understand, Mr. Kennedy calls the FBI and says that he needs a quick response because the matter is being directed at the highest level.

Have you ever discussed this matter with Bill Kennedy? Did you ever discuss this matter with Bill Kennedy?

Mr. WATKINS. What is the question, please?

Mr. DAVIS. Bringing the FBI into this at the highest level.

Mr. WATKINS. As I have stated many times, the matter of discussion with Bill Kennedy was in Mr. Foster's office on the afternoon of May 12 about how—if there is wrongdoing, how do you go about having an investigation or a review of this. That is my conversation.

Mr. DAVIS. Did Mr. Kennedy talk to you about any pressure he was under about how to get the FBI——

Mr. WATKINS. I don't recall talking with Mr. Kennedy after that May 12th meeting, the rest of that week.

Mr. DAVIS. When is the last time you talked to Bill Kennedy; do you remember?

Mr. WATKINS. Not recently.

Mr. DAVIS. OK. Mr. Kennedy also called Mr. Hubbell that morning. Do you know if Kennedy and Hubbell discussed the matter at that time, on May 15th?

Mr. WATKINS. I have no knowledge of that.

Mr. DAVIS. On the afternoon of May 14, Martens faxed a memo to Harry Thomason saying he was ready to run the Travel Office. Do you know who gave Harry Thomason the authority to get the ball rolling at that point? Are you familiar with that fax?

Mr. WATKINS. I am not familiar with that fax.

Mr. DAVIS. Now, at 3 p.m. on May 13, the First Lady met with Mack McLarty and then later met with you. This was clearly getting high-level attention on May 13, long before Peat Marwick came in, wasn't it?

Mr. WATKINS. We met with Mr. McLarty to brief him on the situation on May 13th. He informed me that—when we were talking about it, he said yes, I had heard about it from the First Lady an hour earlier; we had a conversation an hour earlier.

During that meeting on May the 13th, we discussed how to proceed. Mr. Foster discussed that Mr. Kennedy had contacted the FBI and so forth. That is when we made comment and discussion about bringing in an outside, an independent accounting firm to do some kind of audit, review, financial investigation. Mr. McLarty agreed that that was a wise course of action, Mr. Foster agreed that that was a wise course of action, and Ms. Thomasson agreed with that.

We went back to my office. I called my immediate staff in, some people that I dealt with. Ms. O'Connor, a staffer for me, suggested a name, I told them what was going on and she suggested the name of someone she had met during her liaison with the National Performance Review, an accounting person from Peat Marwick; and I called him there in the office, described to him the situation, and he said, well—I said, the way I see this, it looks like the way you conduct a bank audit. You go in one morning—unannounced, you go in and you start looking through records. He said, that is exactly the way I see it. He said, I will bring four or five people in; we will be there by 8:30 or 8 o'clock the next morning, and we will do that. And we asked how long it would take; he thought he could do an initial review in about 3 days, and that is what happened.

Mr. DAVIS. Now, were you aware that Harry Thomason had dinner with the First Lady on the evening of May 13th?

Mr. WATKINS. May 13th, no, I am not aware of that.

Mr. DAVIS. During that time did you know that Mr. Foster called the First Lady that evening?

Mr. WATKINS. I am not aware of that.

Mr. DAVIS. Did you know that Harry Thomason was calling the First Lady and George Stephanopoulos and others on this day about this issue?

Mr. WATKINS. I am not aware of that.

Mr. DAVIS. So you don't have any knowledge that any of these calls would have had anything to do with the firing?

Mr. WATKINS. One day I had a meeting with Mr. Eller and Mr. Thomason, and Mr. Eller urged the quick firing—I mean, quick press announcement of the firings.

Mr. DAVIS. What day was that? Do you have any knowledge of Susan Thomases' knowledge of this?

Mr. WATKINS. No, not at all.

Mr. DAVIS. Finally—I just have a minute—I gave you a copy of the talking points on changes in the White House Travel Office. I think we just gave that to your counsel. I wanted to ask, have you ever seen these talking points before?

Mr. WATKINS. I don't believe I have ever seen this before.

Mr. DAVIS. So you don't know who prepared them?

Mr. WATKINS. I do not.

Mr. DAVIS. Looking at them, it looks to me like there was preparation to fire these employees before any investigation or anything else was done, is my reading of it, but since you haven't read that, I don't think it would be fair to ask you to react and give a reading at this time.

I just want to thank you for your time; it has been a long time. I appreciate the position you are in, and I thank you.

Mr. CLINGER. The gentleman's time has nearly expired, and I think probably this hearing has nearly expired.

I do want to clarify the record and ask you one question.

Did Mr. Larsen ever hold your position, which was that you had jurisdiction over the Travel Office?

Mr. WATKINS. Not to my knowledge, but I don't know. I remember he was in the Office of Administration when I asked him to stay, to continue to stay. He stayed about a month or 6 weeks and then resigned.

Mr. CLINGER. It is my understanding that he was the Director of Personnel of the Management Division.

Mr. WATKINS. That is what he was when he was—when the Clinton administration took office in January.

Mr. CLINGER. That would not have had jurisdiction over the Travel Office; is that correct?

Mr. WATKINS. No, it had nothing to do with the Travel Office.

Mr. KANJORSKI. If I were allowed to put the testimony in, the description of the White House staff at that time, the Personnel Director was responsible for all of the records of travel, in fact, for the White House. I mean, I don't ask you to take my word for that. I ask you to refer to the official transcript and a description of the Bush White House time; that was the description of Mr. Larsen's position.

Mr. CLINGER. Mr. Watkins, we thank you for the long day that you spent with us.

Mr. WATKINS. May I have one word, sir.

I, too, like your colleagues, would like to say that I wish you well. I am sorry that you are leaving. Thank you.

Mr. CLINGER. Thank you. We will adjourn on that.

[Whereupon, at 5:10 p.m., the committee was adjourned.]

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